

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: January 10, 2020

AT (OFFICE): NHPUC

FROM: Bridget Heffernan, Examiner

SUBJECT: Northern Utilities, Inc.
DE 17-136 2018 NHSaves Energy Efficiency Program
Final Audit Report

TO: Tom Frantz, Director Electric Division NHPUC
Steve Frink, Director, Gas/Water Division NHPUC
Rich Chagnon, Assistant Director, Electric Division NHPUC

Introduction

The Public Utilities Commission Audit Staff (Audit) has conducted an audit of the books and records related to the NHSaves Electric and Gas Energy Efficiency Programs for the calendar year 2018. The four participating electric utilities, Unitil Energy Systems, Inc. (UES), Public Service of New Hampshire d/b/a Eversource (Eversource), New Hampshire Electric Cooperative (NHEC), and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (GSE or Liberty) and two gas utilities, Northern Utilities, Inc. (Northern) and Liberty Utilities (EnergyNorth Natural Gas) Corp. (ENG or Liberty) filed a joint petition for the program year 2018. Each utility was audited individually.

In accordance with Commission Order #24,630 in Docket DG 06-036, Northern provided the Commission with monthly summaries of expenses and recoveries related to the energy efficiency programs. For the 2018 program year, the monthly summaries were filed in docket DE 14-216 which was for program years 2015 - 2017. Audit recommends that the 2018 monthly summaries be filed in this docket, DE 17-136, for program years 2018-2020.

Approved 2018 Programs

The participating utilities submitted a joint energy proposal to the Commission on September 1, 2017 for the program years 2018, 2019 and 2020. A joint Settlement Agreement was provided to the Commission on December 8, 2017, and approved by Order #26,095 on January 2, 2018.

Northern Utilities' programs for 2018 were approved as follows:

Residential

Home Energy Assistance Program (weatherization program) HEA

Home Performance with Energy Star (HPwES)

Energy Star Homes (ESH)

Energy Star Products Program (Gas Networks) ESP
Residential Loan Buy Down / Third Party Financing
Home Energy Reports Program (HER)

Commercial and Industrial

Large Business Energy Solutions (Lg Bus.)
Small Business Energy Solutions (Sm Bus.)
Codes, Audits and Educational Programs (Edu)

Changes to the Plan for 2018

The Plan included the following changes for the 2018 program year, as they apply to Northern Utilities:

Design changes

- EnergyStar Homes includes two new initiatives in 2018; Drive to EnergyStar and EnergyStar Homes Version 3.1. Drive to EnergyStar is an initial entry point into efficient building practices. Builders of single family homes who build homes above code but do not meet all of the EnergyStar requirements will receive a reduced incentive. EnergyStar Homes Version 3.1 makes the efficiency target more rigorous based on the 2012 International Energy Conservation Code.
- EnergyStar Homes is also exploring opportunities for a major addition/renovation initiative. In 2018, NHEC will work with builders to identify trial projects. Based on NHEC's research, other utilities will decide whether to adopt a similar initiative based on the scale of opportunity and cost effectiveness in the future.
- ESProducts program is working with retailers to implement tiered incentives. The tiered incentive program will provide higher incentives on clothes washers and dryers along with refrigerators based on the efficiency of the units.
- HEA will now include additional efficient appliances beyond refrigerators such as clothes washers and dryers.
- HPwES expanded eligibility for natural gas customers in 2018. The expanded plan includes a new visual audit and direct install offering of instant saving measures for homes that don't qualify for HPwES. Customers will receive information so they can better understand the impact of their actions on home energy usage and what their home's energy saving potential is.
- HPwES is also incorporating additional appliances such as clothes washers and dryers, air purifiers and dehumidifiers when deemed cost-effective.
- Large Business Energy Solutions introduced a performance based incentive for NEC performance lighting and NEC whole building projects.

Changes in Savings Assumptions

- HPwES revised annual MMBTU savings to reflect current projects modeled in the auditing software.
- EnergyStar Homes reduced the savings projections in anticipation of an ongoing impact evaluation.
- EnergyStar Products updated the savings assumptions on the EnergyStar Calculator for several appliances.
- Large and Small Business Energy Solutions programs updated annual energy savings and measure mixed based on recent data and current trends.

Benefit-Cost Testing – The utilities use the Total Resource Cost (TRC) test to determine if the program is cost effective. For the 2018-2020 program years, the formula has been revised to increase the nominal discount rate from 3.5 to 4.0 percent and also increase the inflation rate from 1.18 to 1.56 percent. A NEI adder of 10% will be included in the numerator and applied to all electric, gas and other fuel benefits. The inclusion of the adder is to account for non-energy impacts of energy efficiency programs and measures.

Home Energy Reports (HER) is a new program Northern implemented in 2018. The program provides the utility's customers with an easy to understand report that provides an energy use comparison with neighbors or other customers. The HER program engages and empowers customers by helping them understand and control their energy usage.

Demand Reduction Induced Price Effects (DRIPE) was first included in 2017 and will continue to be included in the 2018-2020 program years. The Settling Parties agree that Rest of Pool (ROP) DRIPE shall be removed from the Benefit/Cost Test. ROP DRIPE refers to reductions in wholesale prices that occur outside New Hampshire as a result of New Hampshire energy efficiency programs.

Mid-Year Adjustments

Per the fourth quarter report, the ESH program expensed a total of \$213,073 in 2018. This amount is 122% over the budgeted amount of \$174,000. Per Order 26,095 in Docket DE 17-136, *“The NH Utilities shall provide notification to the Commission if an individual program’s actual expenditures are forecasted to exceed 120 percent of the program’s budget”*. On December 7, 2018, Northern notified the Commission of the anticipated overspending of the ESH and ES Products program budgets. Funds from the HPwES and HER programs were to be transferred to cover the amount. At the closing of the program year, the ES Product program overspent the budget by \$51,210, resulting in actuals being 117% of the budget.

Monthly Reporting Revenue and Expenses

In accordance with Commission Order #24,630 in Docket DG 06-036, Northern provided the Commission with monthly summaries of expenses and recoveries related to the energy efficiency programs in effect, as well as a final report. Those summaries were filed in the 2015-2017 docket, DE 14-216, and not the 2018-2020 docket DE 17-136. Monthly summaries of the revenues and expenses were reviewed for compliance with this requirement, without exception.

The 2018 December report inaccurately reflected revenues and expenses for the calendar year. The error was discovered by Northern and all figures were corrected to reflect the accurate numbers on the March 2019 monthly filing. Within the monthly report, the performance incentive is reflected within the Low-income expenses, rather than on individual lines. The Ending balance under-collected at 12/31/2018, per the March 2019 monthly report, does agree with the Accounting model and general ledger at year-end.

	<u>Monthly</u>	<u>Model/GL</u>	<u>Variance</u>
Beginning Balance Under	\$ 99,280	\$ 99,280	\$ -0-
Revenue C&I	\$(1,108,683)	\$(1,108,683)	\$ -0-
Revenue Res/LI	\$ (889,719)	\$ (889,719)	\$ -0-
C&I Expenses	\$ 705,800	\$ 705,799	\$ 1 immaterial rounding
Residential Expenses	\$ 810,884	\$ 810,884	\$ -0-
Low-income Expenses	\$ 459,848	\$ 350,001	\$ 109,848
Current year incentive est.	\$ -0-	\$ 109,848	\$(109,848)
Prior year incentive true-up	\$ -0-	\$ -0-	\$ -0-
Interest	\$ (10,325)	\$ (10,325)	\$ -0-
Ending Balance Undercollect	\$ 67,084	\$ 67,085	\$ 1

Program Year 2018 Activity

Northern provided a reconciliation of the running fund balance as part of the Annual Report and Performance Incentive package on June 4, 2019. The beginning balance was verified to the 2017 shareholder incentive package, provided to the Commission on June 1, 2018. Below is a representation of the 2018 reconciliation:

Beginning Balance under-collection	\$ 99,280
EE Revenue	\$(1,998,403)
Interest	<u>\$(10,325)</u>
Total funding	\$(2,008,728)
Program Expenses	\$ 1,866,684
Current year Incentive Estimate	\$ 109,848
Prior Year incentive true-up	<u>\$ 0</u>
Total Expenses	\$ 1,976,532
12/31/2018 Under-collection	\$ 67,084
Difference between '18 PI estimate-actual	<u>\$ 8,641</u>
Adjusted 2018 Under-collection	\$ 75,725

The program activity reported was verified to the Accounting Department working model.

The EE Revenue was verified to fifteen general ledger accounts #30-49-01-72-48X-XX-XX.

Interest was verified to the general ledger accounts 30-40-01-72-431-10-05 and 30-40-01-72-419-10-05 which net to the expense of \$(10,325).

The estimate of \$109,848 for the 2018 performance incentive reflects 5.5% of the budgeted figure of \$1,997,238. The reported actual incentive of \$118,489 is \$8,641 more than the estimate, booked to the general ledger in 2019. The reported actual incentive represents 6.35% of the program expenses.

In calendar year 2017 the incentive was estimated to be \$78,000 when the actual incentive was \$75,680. The difference of \$2,320 was not included as a prior year true up in the 2018 program year activity due to it being booked in May 2019. The 2017 NH Saves revised audit report was issued in December 2018 resulting in the incentive true up to be booked in 2019.

The ending 2016 under-collection, 2017 under-collection and 2018 net under-collection were reconciled to the following general ledger accounts:

	<u>12/31/16</u>	<u>12/31/17</u>	<u>12/31/18</u>
30-40-00-00-173-41-02 Accrued Rev EE-R-NH	\$ 81,574	\$ 77,804	\$105,968
30-40-00-00-173-41-06 Accrued Rev EE-CI-NH	\$(43,303)	\$ 21,476	\$(38,884)
Net (over)/under collection	\$ 38,271	\$ 99,280	\$ 67,084

Audit verified that the January through June 2018 balances on the March 2019 monthly report filed on 5/13/2019, in docket DE 14-216, agree with those balances filed in the 2018-2019 Cost of Gas DG18-143, Schedule 16-EEC, pages 3 of 4 and 4 of 4. The actuals in the Cost of Gas docket are reflected on the schedule from August 2017 through June 2018, and forecast from July 2018 through October 2019.

Budget vs. Actual Expenses

Audit reviewed the budgeted and actual expenses as presented in the 4th Quarter Energy Efficiency Report in DE 17-136, filed on March 1, 2019.

Northern Utilities per 4th Quarter Report				
<u>Program</u>	<u>Budget</u>	<u>Actual</u>	<u>Percent</u>	
HEA	\$ 339,530	\$ 350,001	103%	
ESH	\$ 174,000	\$ 213,073	122%	
HPwES	\$ 182,963	\$ 142,601	78%	
ES Products	\$ 293,637	\$ 344,847	117%	
LB Energy Solutions	\$ 535,008	\$ 358,890	67%	
SB Energy Solutions	\$ 310,300	\$ 340,271	110%	
HER	\$ 145,100	\$ 110,362	76%	
Education	\$ 16,700	\$ 6,638	40%	
	<u>\$ 1,997,238</u>	<u>\$ 1,866,683</u>	93%	

Audit concurs with the representation of \$1,866,683 for expenses reported to have been incurred during calendar year 2018. The budget for the Residential sector sums to \$1,135,230 with reported actual spending of \$1,160,885, which is 102% of the budget.

The Commercial/Industrial sector budget sums to \$862,008 with reported actual spending of \$705,799 or 82% of the sector budget.

The Low Income Home Energy Assistance actual \$350,001 represents 18.75% of total actual spending and the requirement for 2018 was at least 17%.

Revenue \$(1,998,403)

Therm sales were reported as follows:

Within the March 2019 monthly report	75,700,132
Within the Accounting Model	75,700,132
6/2019 filing of Lost Base Revenue	68,726,796
Within PUC Annual Report 2018	75,700,134
EnQuesta Billing System	75,700,132

Audit questioned why the therms noted on the 6/2019 filing of Lost Base Revenue were approximately 7 million less than the other four reports. Northern stated that the therm sales data noted on the Annual Report LBR filing were not correct. Northern provided Audit with revised pages 4 of 31, 5 of 31, and 31 of 31 of the 2018 Annual Report noting the revised therms of 75,700,132 for Lost Revenue.

The **EEC**, energy efficiency charge, tariff rate per therm for the calendar year 2018 was set as part of the LDAC in dockets DG 17-144 the 2017-2018 Winter/Summer Cost of Gas Filings Order 26,068 issued 10/31/2017 and DG 18-143 the 2018-2019 Winter/Summer Cost of Gas Filings Order 26,186 issued 10/31/2018. **LDAC** is the annual local delivery adjustment charge, set for implementation each November 1. The LDAC includes the **RLIARA**, low-income financial assistance and regulatory assessment costs, **EEC**, **ERC** environmental remediation costs related to manufactured gas plants, and **LRR**, lost revenue rate an adjustment mechanism to recover lost revenue due to the installation of energy efficiency measures. The LDAC effective November 1, 2018 also included **REC**, rate case expenses and **RPC**, reconciliation of permanent changes to recoup the difference between temporary and permanent rates. The LDAC was verified to the tariff approved by the respective Order:

	DG 17-144 2017-2018 Winter/Summer Cost of Gas Order 26,068				
					Total
	RLIARA	EEC	ERC	LRR	LDAC
Res Heat	\$0.0039	\$0.0433	\$0.0060	\$0.0028	\$0.0560
Res Non-heat	\$0.0039	\$0.0433	\$0.0060	\$0.0028	\$0.0560
Small C&I	\$0.0039	\$0.0184	\$0.0060	\$0.0010	\$0.0293
Medium C&I	\$0.0039	\$0.0184	\$0.0060	\$0.0010	\$0.0293
Large C&I	\$0.0039	\$0.0184	\$0.0060	\$0.0010	\$0.0293

DG 18-143 2018-2019 Winter/Summer Cost of Gas Order 26,186

	<u>RLIARA</u>	<u>EEC</u>	<u>ERC</u>	<u>LRR</u>	<u>RCE</u>	<u>RPC</u>	<u>Total LDAC</u>
Res Heat	\$0.0044	\$0.0501	\$0.0058	\$0.0072	\$0.0029	\$(0.0013)	\$0.0691
Res Non-heat	\$0.0044	\$0.0501	\$0.0058	\$0.0072	\$0.0029	\$(0.0013)	\$0.0691
Small C&I	\$0.0044	\$0.0264	\$0.0058	\$0.0014	\$0.0029	\$(0.0013)	\$0.0396
Medium C&I	\$0.0044	\$0.0264	\$0.0058	\$0.0014	\$0.0029	\$(0.0013)	\$0.0396
Large C&I	\$0.0044	\$0.0264	\$0.0058	\$0.0014	\$0.0029	\$(0.0013)	\$0.0396

Audit reviewed the March 2019 monthly report, and noted that the updated EEC rates effective 11/1/2018, of \$0.0501 for residential and \$0.0264 for C&I, were properly used for November and December.

Audit requested the “monthly billed usage by customer class” billing system summaries to which the reported therm sales and related revenue by month per the Accounting model were verified. Excel downloads of the enQuesta billing system were provided. All customer classes are assessed the EEC, with the exception of those commercial customers with special contracts, which do not pay the gas energy efficiency charge. Audit recalculated the EEC revenue by multiplying the therm sales on the billing system report by the EEC rate stated in the tariff. The November combined revenue for residential and C&I was different from the accounting model by approximately \$17,000. Northern noted this was due to the rate change that went into effect November 1, 2018. The November bills were prorated based on the customers billing cycle. Northern provided a proration analysis that provides the November revenue calculation by breaking out the October therms used, but billed in November, and the November therms used. No exception was noted with the proration analysis.

Actual Revenue for the year, \$1,998,403 was verified to fifteen general ledger accounts, each beginning with 30-49-01-72-48X-0X-0X and to the Accounting Model used by the Company, without exception.

Balances in other Accrued Revenue 495 accounts reflect the net activity of revenues and expenses, excluding interest.

30-49-01-72-495-01-02 Accrued Revenue LDAC-EEC Residential	\$(28,946)
30-49-01-72-495-01-06 Accrued Revenue LDAC-EEC Small C&I	<u>\$ 50,817</u>
Total debit to Revenue accounts 495	\$ 21,871

Interest

The Energy Efficiency Program Monthly Report shows that interest is calculated based on the average (over)/under recovery balance multiplied by the prime rate, divided by 365, then multiplied by the number of actual days in the respective month. The month-end (over)/under recovery balance including interest is used as the beginning balance for the following month. Total interest for 2018 was reported as \$(10,325). Audit verified the interest rates reported correspond to the quarterly prime rates provided to utilities by the PUC. The interest rates in

effect during 2018 were 4.25% for January through March, 4.50% for April through June, 4.75% for July through September, and 5.00% October through December.

Interest included within the incentive reconciliation in the amount of \$10,325 was a funding source for the year, verified to:

30-40-01-72-431-10-05 Interest Expense	\$(13,971)
30-40-01-72-419-10-05 Interest Income	<u>\$ 3,646</u>
Net interest expense CORE	\$(10,325)

Expenses

There are 63 general ledger accounts numbered 30-49-02-5#-908-XX-xx. 908 represents the FERC expense account, Customer Assistance Expenses, to which the costs are booked. XX identifies the program, and xx identifies the type of expense. Audit verified the reported 4th Quarter Expenses to the general ledger:

	<u>Internal</u>	<u>External</u>	<u>Rebates/</u>	<u>Implementation</u>				
	<u>Admin</u>	<u>Admin</u>	<u>Services</u>	<u>Services</u>	<u>Marketing</u>	<u>EM&V</u>	<u>Total</u>	
HEA	\$ 25,643	\$ 628	\$ 286,542	\$ 18,179	\$ 4,654	\$ 14,355	\$ 350,001	
ESH	\$ 13,188	\$ 322	\$ 185,403	\$ 6,327	\$ 2,385	\$ 5,448	\$ 213,073	
HPwES	\$ 13,820	\$ 338	\$ 109,295	\$ 6,688	\$ 3,743	\$ 8,718	\$ 142,602	
ESP	\$ 22,179	\$ 3,359	\$ 284,161	\$ 11,522	\$ 6,440	\$ 17,186	\$ 344,847	
Other	\$ -	\$ 8,599	\$ 101,763	\$ -	\$ -	\$ -	\$ 110,362	
Total Res	\$ 74,830	\$ 13,246	\$ 967,164	\$ 42,716	\$ 17,222	\$ 45,707	\$ 1,160,885	
Lg Business	\$ 53,119	\$ 989	\$ 221,419	\$ 61,464	\$ 7,814	\$ 14,085	\$ 358,890	
Sm Business	\$ 38,020	\$ 3,624	\$ 265,833	\$ 17,538	\$ 6,079	\$ 9,176	\$ 340,270	
Municipal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Other	\$ -	\$ -	\$ 5,252	\$ -	\$ 1,386	\$ -	\$ 6,638	
Total C&I	\$ 91,139	\$ 4,613	\$ 492,504	\$ 79,002	\$ 15,279	\$ 23,261	\$ 705,798	
Combined	\$ 165,969	\$ 17,859	\$ 1,459,668	\$ 121,718	\$ 32,501	\$ 68,968	\$ 1,866,683	

The specific general ledger expense activity codes reviewed are summarized below. The representation in the grid above sums several expense accounts together. Audit was able to verify each. Specific account types are summarized below:

Education Implementation-02	\$ 5,252
Education Marketing-03	\$ 1,386
Program Administration-10	\$ 121,719
Regulatory and General-13	\$ 165,968
Third Party Administration-14	\$ 9,260
Third Party Administration-17	\$ 8,599
Internal Marketing -20	\$ 11,092
Third Party Marketing-21	\$ 20,023
Evaluation Internal-30	\$ 25,213
Third Party Monitoring and Evaluation-31	\$ 43,755
Financing Buydowns-35	\$ (695)
Rebates-40	\$1,033,797
Energy Audits-41	\$ 251,119
Gas Network Rebates-42	\$ 69,385
Third Party Implementation Services-43	\$ 100,811
TOTAL GL by Account Type (rounded)	\$1,866,684

Unitil Service Corp. (USC) performs shared utility services for the affiliates and issues monthly billings for labor, overhead and direct charges. The general overhead charge includes costs for indirect labor and Administrative and General Expenses. Administrative and General Expenses, including USC employee fringe benefits, are those expenses which cannot be directly charged to a specific entity. The expenses not charged to a specific NU-NH or NU-ME account are booked to NU-Common, then allocated to NH and ME based on the cost allocation manual.

Audit tested the USC Service Corp invoice for the month of September 2018. Of the total \$1,822,331, \$22,653 was booked to ten Energy Efficiency general ledger accounts. The supporting schedule of fourteen employees, whose labor, indirect costs, and overhead (calculated at 98% of labor and indirect costs) were expensed to the EE, was provided. Of the overall 36 accounts to which the entire Service Corp invoice was booked, six were common accounts, ten were Maine accounts, ten were the NH-EE accounts, and ten were other NH accounts.

River Energy Consultants \$6,309

Audit noted regular general ledger postings of vouchers paid to River Energy Consulting summing to \$6,309 across the following accounts:

30-49-02-50-908-29-14 Res HVAC/Appl Plan/Admin-Ext	\$2,816	part of EnergyStar Products
30-49-02-50-908-29-21 Res HVAC Appl Marketing-Ext	\$ 241	part of EnergyStar Products
30-49-02-52-908-51-14 C&I Sm Bus Svcs Plan/Admin-Ext	\$3,051	part of Small Business
30-49-02-52-908-51-21 C&I Sm Bus Svcs Marketing-Ext	\$ 201	part of Small Business
	\$6,309	

The Company indicated during the 2017 NH Save audit that this consulting company provides management services to energy efficiency program managers in Massachusetts and New Hampshire, streamlining the billing of expenses among multiple utilities. River Energy provides marketing and administration vendor services for GasNetworks high efficiency natural gas heating and water heating equipment and controls.

Performance Systems Development \$5,176

Entries for Performance Systems Development were noted in two general ledger accounts:

30-49-02-50-908-34-10 Res HPwES Implsvcs STAT-Int	\$2,588	part of HPwES
30-49-02-51-908-01-10 LI SingleFam Implsvcs/STAT-Int	<u>\$2,588</u>	part of HEA
	\$5,176	

The Company previously indicated that Performance Systems Development (PSD) maintains and supports the Treat-OTTER modeling invoicing software. The software is used by the participating CORE gas and electric utilities, as well as the CAA weatherization programs. Invoices are split monthly among the gas and electric Low Income (HEA) and HPwES programs of Northern and UES. STAT is an acronym for Sales, Technical Assistance, and Training implementation services.

The Cadmus Group \$9,601.97

Nine monthly entries for Cadmus Group were booked to general ledger account 30-49-02-50-908-29-31 totaling \$9,601.97.

The Company noted that The Cadmus Group is a third party evaluator who was competitively acquired by the Evaluation, Measurement & Verification Working group. All gas and electric utilities entered into a contract with The Cadmus Group to evaluate the NH Saves Energy Star Products programs. The Company booked the third party charges to one gas account and two electric accounts based on the size of each program's budget.

30-49-02-50-908-29-31 Northern Energy Star Products
10-29-02-50-908-40-31 UES Energy Star Products
10-29-02-50-908-28-31 UES Energy Star Lighting

Home Energy Assistance \$350,001

As found in Commission Order #26,095 and the Plan, 17% of the overall budget was budgeted to the HEA Low Income weatherization program. At the end of 2018, 18.75% of the actual expenses were those associated with the HEA program.

Audit verified the total to nine specific general ledger accounts, each beginning with 30-49-02-51-908-01-XX.

A rebate of \$98,820.88, booked to the general ledger 30-49-02-51-908-01-40, Low Income Rebates on 9/19/2018, was paid to Southern NH Services. The total invoice for administrative costs \$8,647.82 and rebate costs \$98,820.88 for thirty customers amounted to \$107,468.70. The \$8,647.82 was booked to the Low Income Energy Audits account 30-49-02-51-908-01-41. None of the thirty rebates exceeded the \$8,000 limit.

EnergyStar Homes \$213,073

Audit verified the total to nine specific general ledger accounts, each beginning with 30-49-02-50-908-47-XX.

Two rebates, in the amount of \$18,000.00, both booked on 6/21/2018 to account 30-49-02-50-908-47-40, Rebates, were selected for review. Fuel summaries provided by GDS Associates reflected annual natural gas and electric energy costs, costs for heating, cooling, water heating, lights and appliances, photovoltaics, related annual end-use consumption data in therms and kWh, and annual energy demands in kW. Each also reflected the HERS confirmation. Each summary related to 36 apartment units in a new building in Rochester. Each unit qualified for \$500 rebate based on the HERS target and the actual HERS index.

Home Performance with EnergyStar \$142,601

Audit verified the total to ten specific general ledger accounts, nine beginning with 30-49-02-50-908-34-XX and the other 30-49-02-50-908-43-35, Residential Financing-Buydown/Rebates.

One entry booked on 6/15/18 to 30-49-02-50-908-34-40 in the amount of \$21,766.40 was verified to an OTTER invoice from Mill City Energy for energy retrofits for eight customers. The invoice total was \$25,783.04. Rebates summed to \$21,766.40 and related administrative costs amounted to \$4,016.64. The administrative costs were booked to account 30-49-02-50-908-34-41, Res HPwES Implscvs/STAT-Ext.

Third Party Financing Program \$2,859

The third party financing program buys down the interest on a personal loan, financed through a bank or credit union, to 2%. The calculated net present value of the loan vs. the calculated loan at 2% is paid from the Energy Efficiency program to the lender. As found on page 26 of the 4th Quarter Report filed by Eversource on 3/1/2019, five Northern projects were financed through the Third Party Financing program. Audit requested clarification on certain line items and Northern noted the 4th Quarter Report contained some inaccuracies due to errors in the formula. A corrected report that noted the following revisions was provided to Audit:

	4th Quarter Report	Proposed Revisions
Budget	\$ 3,500	\$ 3,500
Less: Interest Rate Buy-Downs Paid	\$ 2,859	\$ 2,858
Remaining Budget	\$ 641	\$ 642
No. of Projects Financed	5	5
Total Project Cost	\$ 11,041	\$ 41,119
Average Project Cost	\$ 2,208	\$ 8,224
Total Loan Amount	\$ 33,256	\$ 33,256
Average Loan Amount	\$ 6,651	\$ 6,651
Average Loan Term	50 years	4.2 years
Total Buy-Down Amount	\$ 2,859	\$ 2,858
Average Buy-Down Amount	\$ 572	\$ 572
Average Gross Interest Rate	5.99%	5.99%
Average Customer Interest Rate	2.00%	2.00%
Average Sq. Footage of Home	2,090	2,090
Total Estimated Space Heating Savings (MMBtu)	37	0
Average Estimated Space Heating Savings (MMBtu)	36	0

Audit reviewed documentation for all five of the project buy-downs. Audit recalculated the buy-down and notes the present value was properly calculated and paid to the Northeast Credit Union. No exceptions were noted.

EnergyStar Products \$344,847

Audit verified the total to nine specific general ledger accounts, each beginning with 30-49-02-50-908-29-XX.

One entry in the amount of \$35,148.48 was selected for review, from account 30-49-02-50-908-29-40, HVAC Equipment Rebates. The entry was posted 4/18/18. Supporting documentation demonstrated that the amount was paid to Energy Federation, Inc. (EFI) for the processing of 70 mail-in rebates related to GasNetworks. The invoice totaled \$ 35,555.07 with the rebate portion totaling \$35,148.48 and processing fees which summed to \$406.59. The processing fees were posted to account 30-49-02-50-908-29-41 Res HVAC Equip Implsvcs/STAT-Ext.

One entry in the amount of \$35,148.48 was selected for review, from account 30-49-02-50-908-29-40, HVAC Equipment Rebates. The entry was posted on 4/18/18. Supporting documentation demonstrated that the amount was paid to Energy Federation, Inc. (EFI) for the

processing of 70 mail-in rebates related to GasNetworks. The rebate portion of the total invoice was \$35,148.48. Processing fees which summed to \$406.59 were posted to account 30-49-02-50-908-29-41 Res HVAC Equip Implsvcs/STAT-Ext.

Large Business Energy Solutions \$358,890

Audit verified the total to ten specific general ledger accounts, beginning with 30-49-02-52-908-52-XX. A total of three entries were selected for review.

One entry, booked to account 30-49-02-52-908-52-40 C&I Large Business Services Rebates-Custom, in the amount of \$59,074 was selected for review. The documentation provided reflected the total cost of installing the 19 condensing boiler units to be \$1,360,197, with an estimated annual therm savings of 12,509. The custom rebate of \$59,074 represents 4.3% of the project cost. The total GasNetworks rebates amounts based on the MBH input size and efficiency of the boilers totaled \$89,000, which exceeded the \$50,000 customer cap. Due to the incentive exceeding the cap, a custom rebate was given to the customer in the amount of \$59,074. Audit reviewed the Plan, which states that custom incentives can be given on a case-by-case basis.

One entry, booked to account 30-49-02-52-908-52-41 C&I Large Business Services Implementation Services-External, in the amount of \$7,052.89 was selected for review. An invoice from GDS Associates for the engineering work of three employees from 8/1/18 through 8/30/18 was provided. The hourly charges for specific reviews of projects were noted. The invoice total was \$9,347.90, split between Northern and Unutil Energy Systems:

30-49-02-52-908-52-41 Northern	\$7,052.89
30-49-02-52-908-51-41 Northern	\$ 639.63
10-29-02-52-908-52-41 UES	\$ 25.50
10-29-02-52-908-54-41 UES	<u>\$1,629.88</u>
	\$9,347.90

An entry to account 30-49-02-52-908-52-42 C&I Large Business Services Rebates-GasNetworks, in the amount of \$12,000 was selected for review. The voucher was posted 11/27/2018. The total cost for a retirement/healthcare facility to replace three failing boilers with high efficiency natural gas boilers was \$154,569. The three boilers qualified for 90% thermal efficiency rebate of \$4,000 each, or \$12,000.

Small Business Energy Solutions \$340,271

Audit verified the total to ten specific general ledger accounts, beginning with 30-49-02-52-908-51-XX.

An entry in account 30-49-02-52-908-51-40, C&I Small Business Services Rebates-Custom, in the amount of \$27,432.99 was booked on 7/24/18. The documentation provided indicated energy measures for envelope and interactive HVAC in a new mixed use construction cost \$183,133.33 of which \$27,432.99 was rebated. The amount represents 15% of the total

cost. The measures installed for which the \$27,432.99 rebate was paid were spray foaming of the roof, Zip sheathing the walls, and a HVAC system for anticipated therm savings of 13,144 and 21,248 kWh per year. The energy efficiency measures and weatherization were authorized as a 2018 custom rebate.

One entry in the amount of \$11,471.69 was posted to account 30-49-02-52-908-51-41, C&I Small Business Services Third-Party Implementation Services. The documentation provided shows the total invoice amount of \$31,625.67 was paid to Energy Solutions for the processing of thirteen incentive reimbursements. A total of \$12,321.80 was for management fees, \$516.27 for processing fees, and \$18,787.60 for incentive reimbursements. The total of \$31,625.67 was booked to four GL accounts as follows:

30-49-02-52-908-51-40 Small Bus. Incentives	\$16,788.00
30-49-02-52-908-51-41 Small Bus. Management	\$11,471.69
30-49-02-52-908-52-40 Large Bus Incentives	\$ 1,999.60
30-49-02-52-908-52-41 Large Bus. Management	<u>\$ 1,366.38</u>
	\$31,625.67

One entry in the amount of \$15,000 was posted to account 30-49-02-52-908-51-42, C&I Small Business Services Rebates-GasNetworks. The documentation provided reflected a total project cost of \$36,985 for two condensing boilers with a thermal efficiency of 90%. The two boiler qualified for a rebate amount of \$7,500 each, totaling \$15,000.

Commercial and Industrial Education \$6,638

Audit verified the total to two specific general ledger accounts:

30-49-02-52-908-21-02 C&I Statewide Education Implementation	\$5,252
30-49-02-52-908-21-03 C&I Statewide Education Marketing	<u>\$1,386</u>
	\$6,638

Testing of the Education costs was not conducted.

Lost Base Revenue (LBR)

Order 25,932 approved the gas and electric utilities, excluding NHEC as they are member-owned, to recover revenues lost due to the implementation of energy saving measures. The Lost Base Revenue Adjustment assessed to customers would restore “*the relationship between utility volumetric sales levels and the revenue requirements that were used in setting rates in each utility’s last rate case*”.

Audit reviewed the DG 18-143 winter/summer cost of gas filing, schedule 16-LRR page 3 of 6 which includes the rate classes, corresponding number of customers’ billing determinants, and customer charges. Audit was able to trace the customer charges to the tariff without exception.

Audit reviewed the Lost Base Revenue Reconciliation, which reflected:

Beginning Balance	\$ (3,601)
Lost Revenue Estimates	\$ 124,766
Estimated Collected Lost Revenue (Residential)	\$ (72,330)
Estimated Collected Lost Revenue (C&I)	\$ (59,880)
Estimated Interest	\$ <u>(828)</u>
Estimated Over-collection	\$ (11,873)

The reported actuals, based on the annual report received on June 4, 2019 were noted, on page 2 of 31, to be:

	<u>Residential</u>	<u>Commer/Ind</u>	<u>TOTAL</u>
Beginning Balance	\$ 5,962	\$ (9,226)	\$ (3,264)
Calculated LBR	\$ 76,287	\$ 48,117	\$ 124,404
Collected LBR	\$(72,330)	\$(59,880)	\$(132,210)
Interest	\$ <u>217</u>	\$ <u>(870)</u>	\$ <u>(653)</u>
(over)/under bal. 12/18	\$ 10,135	\$ (21,857)	\$ (11,723)

During the Audit it was noted that the therm sales data shown in the June annual report filing were incorrect. Northern provided a revised schedule that reported the following:

	<u>Residential</u>	<u>Commer/Ind</u>	<u>TOTAL</u>
Beginning Balance	\$ 5,962	\$ (9,226)	\$ (3,264)
Calculated LBR	\$ 76,287	\$ 48,182	\$ 124,469
Collected LBR	\$(72,330)	\$(59,880)	\$(132,210)
Interest	\$ <u>217</u>	\$ <u>(870)</u>	\$ <u>(653)</u>
(over)/under bal. 12/18	\$ 10,135	\$ (21,794)	\$ (11,658)

Based on the Accounting model and the revised annual report, it appears that the Accounting model should be adjusted from the estimated over collection of \$(11,873) to the \$(11,658) to reflect the calculated annualized savings.

Audit compared the annualized therms lost revenue estimates, from Attachment J1, bates page 294R, of the Revised EE plan, to the therms in the annual report (AR):

	<u>Attachment J1</u>	<u>AR Pg 1 of 23</u>	<u>AR Table 1 of 23 as % of J1</u>
Residential Annualized Savings	131,625	115,768	88%
C&I Annualized Savings	<u>203,811</u>	<u>182,120</u>	<u>89%</u>
	335,436	297,888	89%

There were 1,010 measures installed during 2018 across all sectors. Audit reviewed the detailed support for all installations on pages 6 through 23 in the AR. The detail included the sector, program name, equipment installed annual MMBtu savings, lifespan of the equipment, the begin date (which was when the product was installed) and the end date (when the lifespan of the equipment expires).

Conclusion

Based on a review of the information and documentation provided to Audit, the revenue, expenses, and rolling over-collection associated with the 2018 Northern NHSaves Energy Efficiency Program appear to be in compliance with Commission Orders.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE April 7, 2020

AT (OFFICE): NHPUC

FROM: Karen Moran, Chief Auditor

SUBJECT: Unitil Energy Systems, Inc. (UES)
DE 17-136 2018 NHSaves Energy Efficiency Programs
FINAL Audit Report

TO: Tom Frantz, Director NH PUC Electric Division
Rich Chagnon, Assistant Director NH PUC Electric Division
Liz Nixon, Analyst NH PUC Electric Division

Introduction

The Public Utilities Commission Audit Staff (Audit) has conducted an audit of the books and records related to the Electric and Gas Energy Efficiency Programs for the calendar year 2018. The four participating electric utilities, Unitil Energy Systems, Inc. (UES), Public Service of New Hampshire d/b/a Eversource (Eversource), New Hampshire Electric Cooperative (NHEC), and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (GSE or Liberty) and two gas utilities, Northern Utilities, Inc. (Northern) and Liberty Utilities (EnergyNorth Natural Gas) Corp. (ENG or Liberty) filed a joint petition for the program year 2018. Each utility was audited individually.

A limited review of the programs was conducted.

Approved 2018 Programs

The participating utilities submitted a joint energy proposal to the Commission on September 1, 2017 for the program years 2018, 2019 and 2020. A joint Settlement Agreement was provided to the Commission on December 8, 2017, and approved by Order #26,095 on January 2, 2018. An update to the EERS plan was provided, as required, on January 12, 2018. For NHEC, the following programs were approved:

Residential

Home Energy Assistance Program (HEA)
Energy Star Homes Program– (ESH)
NH Home Performance with Energy Star Program (HPwES)
Energy Star Products Program (ESP)

Commercial, Industrial and Municipal

Large Business Energy Solutions Program
Small Business Energy Solutions Program

Municipal Program
Educational Programs
Utility Specific
Home Energy Reports Residential and Commercial/Industrial

Changes to NHSaves for 2018

Attachment A to the Plan, filed on January 12, 2018 in compliance with Order 26,095 that approved the settlement agreement, included the following changes for the 2018 program year:

Program Design changes

- HEA will provide additional information and training to help identify and address high electric usage areas; install ductless heat pump equipment for customers currently using electric resistance heat and/or electric cooling when deemed cost effective; incorporate new efficient appliances beyond refrigerators directly within the HEA program.
- ESH will implement ENERGY STAR Homes Version 3.1 to provide additional incentives for builders who meet Version 3.1 standards; implement Code Plus Initiative to provide reduced incentives for new homes that are built above code but fall short of ENERGY STAR certification requirements; explore a Major addition/renovation option to provide incentives for construction projects that have potential for incorporating highly efficient building practices but are not eligible for ENERGY STAR New Homes of Code Plus. NHEC will work with builders to identify trial projects. Based on NHEC's research, other utilities will decide whether to adopt a similar initiative based on the scale of opportunity and cost effectiveness in the future. Audit requested the status of this work, and was told: *"NHEC has been investigating the potential for developing a renovation initiative within the ESH program over the course of the 3 year plan. We did not have any projects that completed in 2018. We had one project that completed in 2019 and 2-3 that will complete in 2020. These results will be compiled in 2020 with recommendations that will be incorporated into the 2021-2023 planning discussions."*
- HPwES will implement a new software package that captures energy audit information, calculates energy savings, provides reports to customers, facilitates project review by the NH Utilities and facilitates contractor billing; will incorporate additional appliances such as dehumidifiers, clothes washers, clothes dryers, room air purifiers and other measures where they are deemed cost effective; will explore a high electric usage program offering to capture additional electric savings; implement a new visual audit and direct install option to expand eligibility for natural gas programs and electric companies will consider a similar expansion; develop a new contractor handout to provide homeowners with relevant information about other programs and the availability of Home Energy Scores; make adjustments to streamline the process.
- ESP will expand lighting product markdowns with additional retailers; update equipment efficiency requirements for heat pump rebates to align with Cold Climate heat pump standards; introduce tiered incentives for clothes washers, clothes dryers and refrigerators starting in 2018.
- HER Home Energy Reports: Eversource will continue with 50,000 customers in 2018, increase to 105,000 in 2019 and 190,000 in 2020; Liberty/Granite State electric will introduce the program to 12,000 electric customers; Unitil will select a vendor for a

2018-2020 behavior program, which could be Home Energy Reports, depending on the final analysis of bids and program options.

- NHEC Member Engagement NHEC will investigate a member engagement option.
- Commercial, Industrial and Municipal Programs have enhanced focus on multi-year commitments for Large C&I customers; added performance based incentives for Large C&I New Equipment and Construction (NEC) projects; put additional focus on Energy Master Planning for large business customers; Midstream Distributor relationships will be used for natural gas water heaters and heating equipment; combined heat and power as a custom measure will be available through Unitil and Liberty.

Changes in Savings Assumptions

- HEA: Reduced the measure life of LED from 8 years to 5 years.
- HPwES: Revised annual electric and MMBTU savings to reflect current projects modeled in the program auditing software; reduced the measure life of LED from 8 to 5 years.
- ESH: Reduced the measure life of LED from 8 to 5 years; reduced savings projections in anticipation of an ongoing impact evaluation.
- ESP: Reviewed regional technical resource manuals (TRM); updated the savings assumptions on the ENERGY STAR Calculator for clothes washers, ductless mini-slits, refrigerators, dehumidifiers, dryers, LED.
- Large and Small Business Energy Solutions and Municipal, and Eversource's RFP programs: Updated annual energy savings and measure mixed based on most recent historical data and current trends.

Other Changes

- Budget adjustments within sectors were revised requiring notification if expenditures are forecasted to exceed 120% of the budget.
- The 40% cap for customer commitments in future years was removed from multi-year project approvals.
- C&I programs: Customers who supply a portion of their energy needs will be eligible for incentives based on the level of kWh billed in the most recent twelve-month period.
- The 2018-2020 plan will emphasize marketing and communications, perform market research to better understand NH customer behavior and develop a statewide marketing campaign. The plan also focuses on program continuity.

Benefit-Cost Testing – The utilities use the Total Resource Cost (TRC) test to determine if the program is cost effective. For the 2018-2020 program years, the formula has been revised to increase the nominal discount rate from 3.5 to 4.0 percent and also increase the inflation rate from 1.18 to 1.56 percent. The utilities include an additional NEI adder of 10% (for a total of 20%) to low income programs, to reflect the additional benefits provided by the energy efficiency programs, particularly for the low income customer class.

Demand Reduction Induced Price Effects (DRIPE) was first included in 2017 and will continue to be included in the 2018-2020 program years. The Settling Parties agree that Rest of Pool (ROP) DRIPE shall be removed from the Benefit/Cost Test. ROP DRIPE refers to reductions in wholesale prices that occur outside New Hampshire as a result of New Hampshire energy efficiency programs.

The 2018 Performance Incentive outlined in a settlement agreement and as approved by Order 25,932 set a target of 5.5% of program expenditures, with a cap of 6.875%.

Mid-Year Adjustments

The utilities are authorized to transfer 20% or less of an individual program budget, without Commission approval, although notification to Staff and interested parties is required. Transfers in excess of 20% require review by the Commission. Unitil did not transfer any funds in excess of 20% according to the docket record.

SBC NHSaves Filing Summary

UES filed their 2018 Performance Incentive Annual Report on June 4, 2019. As noted in docket DE 10-188, Order 25,189, the utilities agreed to strive to complete their prior year performance incentive filings by June 1 of the subsequent calendar year.

The filed 2018 beginning balance matches the audited 2017 ending balance over-collection of \$(902,211).

Beginning Balance per Page 8 of 10	\$ (902,211) over-collection
System Benefit Charge Revenue	\$(3,322,556)
RGGI Funding	\$ (278,901)
FCM Funding	\$ (840,087)
Interest	\$ (72,666)
Energy Efficiency Expenses	\$ 3,661,299
2018 Estimated Incentive	\$ 228,617
2017 Member Incentive True-up	<u>\$ 23,848</u>
Carryforward Balance over collection	\$(1,502,657)

Audit verified the Annual Report totals to the respective accounting models used by Unitil. Specifically:

	Residential	Low Income	Comm/Ind	Total	2018 Annual Report
Beginning Balance	\$ (451,767)	\$ (237,235)	\$ (213,209)	\$ (902,211)	\$ (902,211)
SBC Revenue	\$ (1,114,501)	\$ (683,090)	\$ (1,524,966)	\$ (3,322,556)	\$ (3,322,556)
RGGI Funding 19.4% LI, 80.6% C&I	\$ -	\$ (54,107)	\$ (224,794)	\$ (278,901)	\$ (278,901)
FCM Funding 30% Res, 70% C&I	\$ (252,026)	\$ -	\$ (588,061)	\$ (840,087)	\$ (840,087)
Interest	\$ (27,553)	\$ (13,415)	\$ (31,697)	\$ (72,666)	\$ (72,666)
EE Expenses	\$ 1,224,600	\$ 662,392	\$ 1,762,637	\$ 3,649,629	
FCM Expenses	\$ 3,942	\$ -	\$ 7,729	\$ 11,671	
	\$ 1,228,542	\$ 662,392	\$ 1,770,366	\$ 3,661,300	\$ 3,661,299
2018 Estimated Incentive	\$ 75,893	\$ 38,865	\$ 113,859	\$ 228,617	\$ 228,617
2017 Incentive True-up	\$ (2,276)	\$ (997)	\$ 27,120	\$ 23,848	\$ 23,848
Ending Balance	\$ (543,687)	\$ (287,587)	\$ (671,382)	\$ (1,502,655)	\$ (1,502,657)

Audit verified the 2017 and 2018 ending balances to the following general ledger accounts:

	2017	2018
10-20-00-00-173-13-01 Accrued Rev SBC Res	\$(451,767)	\$ (543,687)
10-20-00-00-173-13-02 Accrued Rev SBC Res LI	\$(237,235)	\$ (287,587)
10-20-00-00-173-13-03 Accrued Rev SBC C&I	<u>\$(213,209)</u>	<u>\$ (671,381)</u>
	\$(902,211)	\$(1,502,657) rounded

Account 10-20-00-00-173-13-05, Accrued Revenue Sys Ben Outdoor Lighting reflected a total of \$-0-. Revenue posted to account 10-296-xx-21-444-xx-xx \$(21,882) with identical program expenses of \$21,882, included within the Commercial/Industrial balance sheet account.

Budget vs. Actual

According to the Order, and found in the filing, the Utilities shall not exceed 20% of their prescribed budget without Commission approval. The tables below detail the budgeted and actual expenses for 2018. Budget detail was found in the docket book, filed on 1/12/2018 as Attachment C. Reported actuals were verified to the general ledger detail. Overall, UES spent 88% of their budget.

2018 Budget per Plan filed 1/12/2018 in DE 17-136

	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&V</u>	<u>Total</u>
Home Energy Assistance	\$ 33,675	\$ 1,489	\$ 548,565	\$ 82,895	\$ 11,865	\$ 28,147	\$ 706,636
Home Performance with EnergyStar	\$ 20,922	\$ 588	\$ 322,091	\$ 51,388	\$ 12,521	\$ 22,490	\$ 430,000
EnergyStar Homes	\$ 9,304	\$ 2,750	\$ 114,230	\$ 25,316	\$ 4,300	\$ 8,804	\$ 164,704
EnergyStar Products	\$ 25,064	\$ 450	\$ 355,642	\$ 53,167	\$ 24,979	\$ 24,887	\$ 484,189
Other	\$ 7,441	\$ -	\$ 280,000	\$ 2,000	\$ -	\$ 11,543	\$ 300,984
Total Residential	\$ 96,406	\$ 5,277	\$ 1,620,528	\$ 214,766	\$ 53,665	\$ 95,871	\$ 2,086,513
Large Business Energy Solutions	\$ 61,334	\$ 2,250	\$ 742,671	\$ 137,455	\$ 24,880	\$ 49,410	\$ 1,018,000
Small Business Energy solutions	\$ 37,950	\$ 1,620	\$ 609,567	\$ 75,955	\$ 17,444	\$ 37,220	\$ 779,756
Municipal Program	\$ 13,283	\$ -	\$ 164,131	\$ 23,834	\$ 6,611	\$ 11,019	\$ 218,878
Other	\$ 11,365	\$ -	\$ 25,000	\$ -	\$ 4,000	\$ 13,169	\$ 53,534
Total C&I	\$ 123,932	\$ 3,870	\$ 1,541,369	\$ 237,244	\$ 52,935	\$ 110,818	\$ 2,070,168
TOTAL	\$ 220,338	\$ 9,147	\$ 3,161,897	\$ 452,010	\$ 106,600	\$ 206,689	\$ 4,156,681

The actuals by program and activity code below, are those identified in the 4th quarterly report:

	Actuals Expenses by Activity							Actual
	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&V</u>	<u>Total</u>	
Home Energy Assistance	\$ 59,330	\$ 2,045	\$ 511,563	\$ 50,520	\$ 9,944	\$ 28,990	\$ 662,392	94%
Home Performance with EnergyStar	\$ 36,095	\$ 1,244	\$ 157,858	\$ 79,669	\$ 8,060	\$ 19,798	\$ 302,724	70%
EnergyStar Homes	\$ 13,820	\$ 476	\$ 131,847	\$ 16,025	\$ 2,316	\$ 5,319	\$ 169,803	103%
EnergyStar Products	\$ 40,657	\$ 1,402	\$ 397,047	\$ 42,332	\$ 18,301	\$ 28,548	\$ 528,287	109%
Home Energy Reports	\$ -	\$ 17,610	\$ 206,175	\$ -	\$ -	\$ -	\$ 223,785	
FCM Expenses	\$ 2,325	\$ 2,269	\$ -	\$ (652)	\$ -	\$ -	\$ 3,942	76%
Total Residential	\$ 152,227	\$ 25,046	\$ 1,404,490	\$ 187,894	\$ 38,621	\$ 82,655	\$ 1,890,933	91%
Large Business Energy Solutions	\$ 86,758	\$ 2,945	\$ 457,368	\$ 122,239	\$ 14,320	\$ 27,523	\$ 711,153	70%
Small Business Energy solutions	\$ 75,174	\$ 2,254	\$ 636,243	\$ 48,488	\$ 10,971	\$ 26,366	\$ 799,496	103%
Municipal Program	\$ 20,345	\$ 633	\$ 156,473	\$ 35,799	\$ 3,076	\$ 8,554	\$ 224,880	103%
Education	\$ -	\$ -	\$ 24,596	\$ -	\$ 2,509	\$ -	\$ 27,105	
FCM Expenses	\$ 2,434	\$ 5,295	\$ -	\$ -	\$ -	\$ -	\$ 7,729	65%
Total C&I	\$ 184,711	\$ 11,127	\$ 1,274,680	\$ 206,526	\$ 30,876	\$ 62,443	\$ 1,770,363	86%
TOTAL	\$ 336,938	\$ 36,173	\$ 2,679,170	\$ 394,420	\$ 69,497	\$ 145,098	\$ 3,661,296	88%

As required by the Settlement, 17% of the overall NHSaves expenses in 2018 must be budgeted for the Low Income Weatherization Program (HEA). The budget total of \$706,636 does represent 17% of the overall budget. The actual amount spent on the HEA, \$662,392, represents 18% of the overall actual expenses for the year.

Revenue

The total of the funding sources for the 2018 calendar year, found in the Performance Incentive report, were reported to be:

System Benefit Charge (SBC)	\$(3,322,556)
RGGI Funding	\$ (278,901)
FCM Revenue	\$ (840,087)
Interest	<u>\$ (72,666)</u>
Total Funding	\$(4,514,210)

System Benefits Charge \$(3,322,556)

Audit verified the updated tariff page was submitted to the Commission on January 16, 2018, and received Staff approval for compliance, on January 18, 2018. Specifically included within the SBC, for both 2018 and 2017, are:

	<u>2018 SBC</u>	<u>2017 SBC</u>
Low Income Electric Assistance (EAP)	\$0.00150	\$0.00150
Energy Efficiency	\$0.00275	\$0.00198
Lost Revenue	<u>\$0.00031</u>	<u>\$0.00009</u>
Total SBC	\$0.00456	\$0.00357

The reported SBC portion relating to energy efficiency, as noted in the annual report on page 8 of 10, \$(3,322,556), was verified to the total of the twelve monthly Util Energy Systems, Inc. Combined (Non-External and External) Revenue Reports without exception. The energy efficiency portion of the SBC for 2018 is \$0.00275 per kWh. Audit verified each monthly reported kWh sales to the reported energy efficiency SBC revenue column, to within \$44,645. The straight kWh per month multiplied by the \$0.00275 = \$(3,367,201). However, due to the timing of billing cycles, the January 2018 variance between the report and the straight calculation accounts for the majority of the revenue variance. A net \$338 variance in the other eleven months is considered immaterial. An issue in the 2017 program year audit report regarding the variances of reported kWh among the EAP, NHSaves, and the FERC Form 1 was addressed, as all three represent the same 1,224,436,868 kWh sold for 2018.

	Total	Total 2018
	<u>Billed kWh</u>	<u>SBC-Energy</u>
		<u>Efficiency</u>
DOMESTIC	510,593,306	\$ 1,382,771
G2-PRIVATE	356,328,453	\$ 967,550
G2-MUNICIPAL	24,200	\$ 66
G1-PRIVATE	349,430,148	\$ 950,286
OL-PRIVATE	8,060,761	\$ 21,882
TOTAL BILLED	<u>1,224,436,868</u>	<u>\$ 3,322,556</u>

Revenues for 2018 were verified to thirteen specific general ledger accounts, 10-29-01-21-44X-XX-00.

2018 RGGI Auction Proceeds \$(278,901)

According to the 2018 Incentive report page 8 of 10, the RGGI proceeds to be used for Energy Efficiency summed to \$278,901, representing the fourth quarterly auction for 2017 and the first three quarterly auctions during 2018. The proceeds were verified to general ledger accounts 10-29-02-21-456-2X-XX. (Refer as well to the 2018 RGGI audit report, issued 2/11/2020). The statute required, after administrative costs, a portion of the quarterly proceeds be refunded to all retail electric ratepayers, and a portion be combined with the SBC Funded Energy Efficiency programs administered by the participating Electric Utilities. Further, according to RSA 125-O:23, the RGGI auction proceeds that are directed to the Energy Efficiency Programs were specifically directed over the following three programs, in this order:

1- At least 15% to the Low Income weatherization program;

2- Up to \$2,000,000 Annually to Municipal and Local Government energy efficiency projects, this amount will roll over and accumulate until May of program year 2017 when, meeting certain requirements, the unused portions (if available) of the funds may be released to other C&I customers.

3- The remainder to an All Fuels, comprehensive energy efficiency program administered by qualified parties which may include electric distribution companies as selected through a competitive bid process.

The total auction proceeds for the year were \$13,878,414 distributed as follows, in accordance with RSA 125-O:23:

2018 Auction Proceeds	\$ 13,878,414
Refunded to All Customers	\$(10,727,081)
Set Aside for Admin Costs	\$ (325,000)
Set Aside for All Fuels Grant	\$ (235,333)
Distributed to NHSaves at Electric Utilities	<u>\$ (2,591,000)</u>
Undistributed	\$ -0-

The proceeds are distributed to Eversource, NHEC, Liberty, UES, and municipalities with their own electric departments: Ashland; Littleton; New Hampton; Wolfeboro; and Woodsville. The breakdown by recipient is as follows:

Calendar Year 2018

	<u>Auction #39</u>	<u>Auction #40</u>	<u>Auction #41</u>	<u>Auction #42</u>	<u>2018 Total</u>
NH Proceeds	\$ 2,902,598	\$ 3,432,119	\$ 3,446,357	\$ 4,097,340	\$ 13,878,414
# of Allowances Sold	765,857	853,761	765,857	765,858	3,151,333
RGGI Proceeds at \$1.00	\$ 765,857	\$ 853,761	\$ 765,857	\$ 765,858	\$ 3,151,333
Administrative Expenses	\$ (88,750)	\$ (88,750)	\$ (73,750)	\$ (73,750)	\$ (325,000)
RFP 14-004 All-fuels grant	\$ (100,000)	\$ (100,000)	\$ (15,000)	\$ (20,333)	\$ (235,333)
Available to Energy Efficiency	\$ 577,107	\$ 665,011	\$ 677,107	\$ 671,775	\$ 2,591,000

Distributed to each utility for the NHSaves Energy Efficiency programs:

Eversource	\$ (419,376)	\$ (483,255)	\$ (492,045)	\$ (488,170)	\$ (1,882,847)
NHEC	\$ (46,158)	\$ (53,189)	\$ (54,156)	\$ (53,730)	\$ (207,233)
Liberty	\$ (47,874)	\$ (55,166)	\$ (56,170)	\$ (55,728)	\$ (214,938)
UES	\$ (63,698)	\$ (73,401)	\$ (74,736)	\$ (74,147)	\$ (285,982)
distributed to Energy Efficiency	\$ (577,107)	\$ (665,011)	\$ (677,107)	\$ (671,775)	\$ (2,591,000)

Distributed to electric utilities for refunding to customers:

Eversource	\$ (1,538,756)	\$ (1,856,783)	\$ (1,930,340)	\$ (2,399,139)	\$ (7,725,019)
NHEC	\$ (149,584)	\$ (180,500)	\$ (187,651)	\$ (233,223)	\$ (750,959)
Liberty	\$ (177,255)	\$ (213,889)	\$ (222,363)	\$ (276,365)	\$ (889,872)
UES	\$ (235,843)	\$ (284,586)	\$ (295,860)	\$ (367,713)	\$ (1,184,002)
Ashland	\$ (3,524)	\$ (4,253)	\$ (4,421)	\$ (5,495)	\$ (17,694)
Littleton	\$ (13,259)	\$ (16,000)	\$ (16,633)	\$ (20,673)	\$ (66,565)
New Hampton	\$ (727)	\$ (877)	\$ (912)	\$ (1,134)	\$ (3,651)
Wolfboro	\$ (13,325)	\$ (16,079)	\$ (16,716)	\$ (20,775)	\$ (66,895)
Woodsville	\$ (4,467)	\$ (5,390)	\$ (5,604)	\$ (6,964)	\$ (22,425)
Total Rebated	\$ (2,136,741)	\$ (2,578,358)	\$ (2,680,499)	\$ (3,331,482)	\$ (10,727,081)

The auction proceeds allocated to the energy efficiency programs were included within the accounting models for all revenues and expenses, not solely for RGGI related activity.

FCM Revenue \$(840,087) and Expenses \$11,671

per 4th Quarterly Report filed in DE 17-136 on 3/1/2019

Actual Forward Capacity Market Proceeds and Expenses

	<u>Liberty</u>	<u>NHEC</u>	<u>Eversource</u>	<u>Unitil</u>	<u>Total</u>
<u>Proceeds</u>					
Quarter 1	\$ 133,061	\$ 37,836	\$ 1,315,519	\$ 185,990	\$ 1,672,406
Quarter 2	\$ 148,139	\$ 28,766	\$ 1,319,789	\$ 193,868	\$ 1,690,562
Quarter 3	\$ 191,581	\$ 26,432	\$ 1,828,653	\$ 231,076	\$ 2,277,742
Quarter 4	\$ 190,450	\$ 28,122	\$ 1,820,155	\$ 229,153	\$ 2,267,880
Total Proceeds	\$ 663,231	\$ 121,156	\$ 6,284,116	\$ 840,087	\$ 7,908,590
<u>Financial Assurance</u>					
Quarter 1	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter 2	\$ -	\$ -	\$ (1,000)	\$ (1,000)	\$ (2,000)
Quarter 3	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter 4	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fnc'l Assurance	\$ -	\$ -	\$ (1,000)	\$ (1,000)	\$ (2,000)
<u>Other Expenses</u>					
Quarter 1	\$ (8,208)	\$ (3,182)	\$ (7,637)	\$ (721)	\$ (19,748)
Quarter 2	\$ (22,727)	\$ (1,445)	\$ (19,555)	\$ (3,408)	\$ (47,135)
Quarter 3	\$ (2,131)	\$ (9,988)	\$ (8,156)	\$ (7,945)	\$ (28,220)
Quarter 4	\$ (4,576)	\$ -	\$ (15,282)	\$ 1,403	\$ (18,455)
Total Other Expenses	\$ (37,642)	\$ (14,615)	\$ (50,630)	\$ (10,671)	\$ (113,558)
Total Expenses	\$ (37,642)	\$ (14,615)	\$ (51,630)	\$ (11,671)	\$ (115,558)
NET FCM	\$ 625,589	\$ 106,541	\$ 6,232,486	\$ 828,416	\$ 7,793,032

Audit verified that the FCM/ISO capacity revenue of \$840,087 was credited to account 10-29-02-21-456-80-00. The revenue was also verified to the fourth quarterly filing for NHSaves for 2018. Revenue was allocated 30% to Residential, 70% to Commercial/Industrial, on the accounting model.

FCM expenses of \$11,671 were noted within the fourth quarterly filing on page 18. The general ledger accurately reflects:

10-29-02-50-908-80-01 Res ISO Plan/Admin-Int	\$2,325
10-29-02-50-908-80-02 Res ISO Plan/Admin-Ext	\$2,269
10-29-02-50-908-80-03 Res ISO Fees-Ext	\$ (652)
Residential	\$3,942
10-29-02-50-908-80-04 C&I ISO Planning/Admin -Int	\$2,434
10-29-02-50-908-80-05 C&I ISO Planning/Admin -Ext	\$5,295
Commercial/Industrial	\$7,729
Combined Residential and Commercial/Industrial Expenses	\$11,671

The forward capacity expenses are included in the fourth quarterly report as part of the Company specific totals, which also include the Residential Behavior program and the C&I Educational expenses.

Residential ISO/FCM	\$ 3,942
Residential Behavior	<u>\$223,785</u>
	\$227,727
C&I ISO/FCM	\$ 7,729
C&I Educational	<u>\$ 27,106</u>
	\$ 35,835

Refer to the Expense discussion below.

Interest \$(72,666)

Throughout 2018, the interest was calculated using the prime rates in effect, as reflected as the rates to apply to any utility customer deposit. Audit verified the rates to the <https://www.puc.nh.gov/Consumer/PrimeRates.html> and noted the rates for 2018 to be:

- January, February and March – 4.25%
- April, May and June – 4.50%
- July, August, September – 4.75%
- October, November, December – 5.00%

Interest was recalculated using the average monthly balance, including interest from the previous month, throughout the calendar year 2018. UES uses the formula:

$$\text{Interest} = (((\text{Beg Bal} + \text{End Bal}/2) * \text{rate})/365) * \text{Actual \# of days in month}$$

Expenses \$3,661,299

Allocated Expenses

Audit reviewed all of the general ledger accounts and identified allocation entries of target distributions, as well as costs relating to the Unitil Service Company monthly service bills. Those bills include labor and miscellaneous expenses such as cellular phones used by the Energy Efficiency group. The expenses are booked to the accounts 10-29-02-21-908-00-xx, then cleared to the various CORE accounts.

Home Energy Assistance code#41 - \$662,392

The Home Energy Assistance (HEA) Core program is designed to provide weatherization services to qualifying customers in New Hampshire, at no charge to the customer, by reducing the customers' energy usage through the weatherization services and providing specific energy efficient appliances where necessary and appropriate. The HEA is funded from two different sources. The first is set within the Settlement Agreement at a percentage of the estimated total CORE expenses for the calendar year, and the second is at least 15% of the RGGI Auction Proceeds per NH RSA 125-O:23. In order to meet these funding requirements, the Joint Settlement Agreement stipulates **17%** of the CORE budgets should be reserved for the HEA

programs, inclusive of the estimated RGGI Proceeds. For 2018, the HEA budget of \$706,636 was recalculated:

$$\$4,156,681 * 17\% = \$706,636$$

The total reported expenses relating to the HEA program were \$662,392 or **18%** of the total spending of \$3,661,296, and verified to the following general ledger expense accounts, by expense type:

10-29-02-51-908-41-13 LI Single Fam Plan/Admin Int	\$ 59,330 Internal Admin.
10-29-02-51-908-41-14 LI Single Fam Plan/Admin Ext	\$ 2,045 External Admin.
10-29-02-51-908-41-40 LI Single Fam Rebates	\$451,291 Rebates
10-29-02-51-908-41-10 LI Single Fam Impl Svs Int	\$ 50,520
10-29-02-51-908-41-41 LI Single Fam Impl Svs Ext	<u>\$ 60,272</u>
	\$110,792 Implementation
10-29-02-51-908-41-20 LI Single Fam Marketing Int	\$ 4,323
10-29-02-51-908-41-21 LI Single Fam Marketing Ext	<u>\$ 5,621</u>
	\$ 9,944 Marketing
10-29-02-51-908-41-30 LI Single Fam Evaluation Int	\$ 10,015
10-29-02-51-908-41-31 LI Single Fam Evaluation Ext	<u>\$ 18,974</u>
	\$ 28,990 Evaluation

As identified above, the majority of the expenses were posted to the Rebates general ledger account. Audit reviewed the activity within all accounts, and noted the Rebates account total was comprised of entries relating to the Community Action Agencies within the state.

Home Performance with Energy Star code #26 - \$302,726

By general ledger expense account, summarized into the specific expense categories, Audit verified the reported HPwES to:

10-29-02-50-908-26-13 Res HPwES Plan/Admin Int	\$ 36,096 Internal Admin.
10-29-02-50-908-26-14 Res HPwES Plan/Admin Ext	\$ 1,244 External Admin.
10-29-02-50-908-26-40 Res HPwES Rebates	\$125,730
10-29-02-50-908-26-42 Res HPwES Loan Buydown	<u>\$ 772</u>
	\$126,501 Rebates
10-29-02-50-908-26-10 Res HPwES Impl Svs Int	\$ 78,897
10-29-02-50-908-26-41 Res HPwES Impl Svs Ext	<u>\$ 32,129</u>
	\$111,026 Implementation

10-29-02-50-908-26-20 Res HPwES Marketing Int	\$ 2,630
10-29-02-50-908-26-21 Res HPwES Marketing Ext	<u>\$ 5,430</u>
	\$ 8,060 Marketing
10-29-02-50-908-26-30 Res HPwES Evaluation Int	\$ 6,093
10-29-02-50-908-26-31 Res HPwES Evaluation Ext	<u>\$ 13,705</u>
	\$ 19,798 Evaluation

In the 2017 Audit, there was a \$772 variance between the reported HPwES total of \$213,462 and the general ledger \$212,690 that was caused by a misposting of an interest rate buy down. The \$772 related to a UES customer, but was booked to the Northern Utilities general ledger account in error. The Company determined the error, and adjusted the entry in 2018. Audit verified the correcting entry to account 10-29-02-50-908-26-42 RES HPwES Loan Buydown, included within the Rebates total above.

Energy Star Homes code #47 - \$169,803

By general ledger expense account, summarized into the specific expense categories, Audit verified the reported Energy Star Homes total to:

10-29-02-50-908-47-13 Res New Homes/Reno Plan/Admin Int Administration	\$13,820 Internal
10-29-02-50-908-47-14 Res New Homes/Reno Plan/Admin Ext Administration	\$ 476 External
10-29-02-50-908-47-40 Res New Homes/Reno Rebates	\$87,462 Rebates
10-29-02-50-908-47-10 Res New Homes/Reno Imp Int	\$16,025
10-29-02-50-908-47-41 Res New Homes/Reno Impl Svcs Ext Implementation Services	<u>\$44,385</u> \$60,410
10-29-02-50-908-47-20 Res New Homes/Reno Marketing Int	\$ 1,007
10-29-02-50-908-47-21 Res New Homes/Reno Marketing Ext	<u>\$ 1,309</u>
	\$ 2,316 Marketing
10-29-02-50-908-47-30 Res New Homes/Reno Evaluation Int	\$ 2,333
10-29-02-50-908-47-31 Res New Homes/Reno Evaluation Ext	<u>\$ 2,986</u>
	\$ 5,319 Evaluation

Energy Star Products codes #28 \$212,417 and #40 \$315,870 = \$528,287

By general ledger expense account, summarized into the specific expense categories, Audit verified the reported Energy Star Products total to:

	<u>code #28</u>	<u>code #40</u>	<u>Combined</u>
10-29-02-50-908-xx-13 Plan/Admin-Int	\$ 19,663	\$ 20,994	\$ 40,657
10-29-02-50-908-xx-14 Plan/Admin-Ext	\$ 678	\$ 724	\$ 1,402
10-29-02-50-908-xx-40 Rebates	\$ 126,024	\$ 199,317	\$ 325,340
10-29-02-50-908-xx-10 Implsvcs/STAT Int	\$ 16,930	\$ 25,403	\$ 42,332
10-29-02-50-908-xx-41 Implsvcs/STAT Ext	\$ 26,411	\$ 45,295	\$ 71,707
Total Implementation	\$ 43,341	\$ 70,698	\$ 114,039
10-29-02-50-908-xx-20 Marketing-Int	\$ 1,433	\$ 1,530	\$ 2,963
10-29-02-50-908-xx-21 Marketing-Ext	\$ 7,431	\$ 7,907	\$ 15,338
Total Marketing	\$ 8,864	\$ 9,437	\$ 18,301
10-29-02-50-908-xx-30 Evaluation-Int	\$ 3,319	\$ 3,545	\$ 6,864
10-29-02-50-908-xx-31 Evaluation-Ext	\$ 10,530	\$ 11,155	\$ 21,685
Total Evaluation	\$ 13,848	\$ 14,700	\$ 28,548
Combined Total	\$ 212,417	\$ 315,870	\$ 528,287

Code #28 represents Residential Lighting, and code #40 represents Residential HVAC. Combined, the two sum to the Energy Star Products total reported for calendar year 2018. The majority of the rebates were paid to the Energy Federation, and External Evaluations were related to the Cadmus Group.

Other – Residential code #30 \$223,784 and code #80 \$3,942 = \$227,727

Audit verified the reported total expense figure to the following general ledger accounts, without exception:

10-29-02-50-908-30-14 Res Behavior Plan/Admin-Ext	\$ 17,610
10-29-02-50-908-30-40 Res Behavior Rebates	\$ 1,905
10-29-02-50-908-30-41 Res Behavior ImplSvcs/Stat-Ext	\$ 204,270
Total Residential Behavior Company Specific	\$ 223,785
10-29-02-50-908-80-01 Res ISO Plan/Admin-Int	\$ 2,325
10-29-02-50-908-80-02 Res ISO Plan/Admin-Ext	\$ 2,569
10-29-02-50-908-80-03 Res ISO Fees-Ext	\$ (652)
Total Forward Capacity Market/ISO	\$ 3,942
Combined	\$ 227,727

Audit reviewed each of the above accounts in detail. The \$17,610 is the sum of a reclassification entry out of the 10-29-02-50-08-30-41 account \$17,458 and one entry that should not have been paid from the NHSaves energy efficiency money, \$152 paid to Liberty Lane Catering on October 10, 2018. The amount is immaterial, but the catering is not contemplated as a direct energy efficiency expense.

The \$1,905 was an Oracle USA Inc. voucher, paid on October 17, 2018. The \$204,270 was within the detailed general ledger as the sum of three Oracle USA Inc. vouchers:

July 27, 2018	\$177,429
October 17, 2018	\$ 26,437
December 07, 2018	<u>\$ 403</u>
	\$204,270 (rounded)

Regarding the ISO expenses, the \$2,325 was the sum of 12 monthly entries relating to the Unutil Service Company (USC) billing. Expenses related to payments to the Independent System Operator for the forward capacity market are allocated monthly through the service company, and invoiced to affiliated entities each month.

The \$2,569 is the sum of a July voucher and a year-end true-up. The credit of \$(652) was noted to be the net of the \$1,000 financial assurance, and a reversal of \$(1,652). Further review of the reversal was not conducted.

Large Business Energy Solutions code #52 - \$711,154

By general ledger expense account, summarized into the specific expense categories, Audit verified the reported Large Business Energy Solutions total to:

10-29-02-52-908-52-13 C&I Lg Bus Plan/Admin Int	\$ 86,758 Internal Admin.
10-29-02-52-908-52-14 C&I Lg Bus Plan/Admin Ext	\$ 2,945 External Admin.
10-29-02-52-908-52-40 C&I Lg Bus Rebates	\$433,592 Rebates
10-29-02-52-908-52-10 C&I Lg Bus Implsvcs-Int	\$122,239
10-29-02-52-908-52-41 C&I Lg Bus Implsvcs-Ext	<u>\$ 23,776</u>
	\$146,015 Implementation
10-29-02-52-908-52-20 C&I Lg Bus Marketing Int	\$ 6,226
10-29-02-52-908-52-21 C&I Lg Bus Marketing Ext	<u>\$ 6,095</u>
	\$ 14,320 Marketing
10-29-02-52-908-52-30 C&I Lg Bus Evaluation Int	\$ 14,422
10-29-02-52-908-52-31 C&I Lg Bus Evaluation Ext	<u>\$ 13,100</u>
	\$ 27,523 Evaluation

Each of the Large Business accounts was reviewed by Audit. The Rebates total of \$433,592 was the majority of the overall program cost. The account detail reflects twenty custom, company specific rebates, ranging in amounts from \$825 to \$125,711.

Small Business Energy Solutions code #51 - \$799,498

By general ledger expense account, summarized into the specific expense categories, Audit verified the reported Small Business Energy Solutions total to:

10-29-02-52-908-51-13 C&I Small Bus Plan/Admin Int	\$ 75,175	Internal Admin.
10-29-02-52-908-51-14 C&I Small Bus Plan/Admin Ext	\$ 2,256	External Admin.
10-29-02-52-908-51-40 C&I Small Bus Rebates	\$633,055	Rebates
10-29-02-52-908-51-10 C&I Small Bus Implsvcs-Int	\$ 48,487	
10-29-02-52-908-51-41 C&I Small Bus Implsvcs-Ext	<u>\$ 3,188</u>	
	\$ 51,675	Implementation
10-29-02-52-908-51-20 C&I Small Bus Marketing Int	\$ 4,770	
10-29-02-52-908-51-21 C&I Small Bus Marketing Ext	<u>\$ 6,202</u>	
	\$ 10,971	Marketing
10-29-02-52-908-51-30 C&I Small Bus Evaluation Int	\$ 11,049	
10-29-02-52-908-51-31 C&I Small Bus Evaluation Ext	<u>\$ 15,316</u>	
	\$ 26,366	Evaluation

Audit reviewed the activity in each of the above general ledger accounts. As with other programs, the Rebates account reflected the highest dollar expended. Activity included payments to Prism Consulting; Energy Source, LLC; and specific rebates paid to individual companies.

Municipal code #54 - \$224,879

By general ledger expense account, summarized into the specific expense categories, Audit verified the reported Municipal total to:

10-29-02-52-908-54-13 C&I Muni Plan/Admin Int	\$ 20,345	Internal Admin.
10-29-02-52-908-54-14 C&I Muni Plan/Admin Ext	\$ 633	External Admin.
10-29-02-52-908-54-40 C&I Muni Rebates	\$150,756	Rebates
10-29-02-52-908-54-10 C&I Muni Implsvcs Int	\$ 35,799	
10-29-02-52-908-54-41 C&I Muni Implsvcs Ext	<u>\$ 5,717</u>	
	\$ 41,515	Implementation
10-29-02-52-908-54-20 C&I Muni Marketing Int	\$ 1,337	
10-29-02-52-908-54-21 C&I Muni Marketing Ext	<u>\$ 1,739</u>	
	\$ 3,076	Marketing
10-29-02-52-908-54-30 C&I Muni Evaluation Int	\$ 3,098	
10-29-02-52-908-54-31 C&I Muni Evaluation Ext	<u>\$ 5,456</u>	
	\$ 8,554	

C&I Other code #21 \$27,106 and code #80 \$7,729 = \$34,835

By general ledger expense account, summarized into the specific expense categories, Audit verified the reported C&I Other total to:

10-29-02-52-908-21-02 C&I Statewide Edu Implsvcs-Ext	\$24,596	Implementation
10-29-02-52-908-21-03 C&I Statewide Edu Marketing-Ext	\$ 2,509	Marketing
Total UES Education	\$27,105	

10-29-02-52-908-80-04 C&I ISO Planning/Admin-Int	\$ 2,434
10-29-02-52-908-80-05 C&I ISO Planning/Admin-Ext	\$ 5,295
Total UES ISO/FCM	\$ 7,729

RGGI Revolving Loan Fund (RLF)

On August 19, 2009, a \$7,646,020 grant identified as Re-CORE was approved by the Governor and Council, which, among other things, established the Revolving Loan Funds administered by the Core Electric Utilities. Specifically, each utility initially received the following amount to be used to establish the RLF, as adjusted and reflected in the 4th quarterly report for 2018:

<u>Utility</u>	<u>Original Grant</u>	<u>Additional</u>	<u>Total RLF</u>
Liberty GSE	\$ 302,077	\$	\$ 303,000
NHEC	\$ 300,000	\$ (3,443)	\$ 296,119
Eversource (PSNH)	\$ 500,000	\$190,000	\$ 690,000
UES	\$ 725,000	\$115,000	\$ 840,000
Total	\$1,727,077	\$301,996	\$2,129,558

The Liberty GSE fund total has been rounded up to \$303,000 since 2013.

NHEC was authorized to add \$100,000 in 2013 to its original \$200,000 loan fund, resulting in an overall balance of \$300,000. In 2015, a loan was written off as uncollectible, decreasing the RLF beginning balance in the 4th quarterly report (in the 2016 filing received in 3/2017) to \$296,996. In 2017, a loan balance of \$438 was written off as uncollectible, dropping the total loan fund to \$296,558. During 2018, an additional \$439 was written off, resulting in a revised loan fund balance of \$296,119.

Eversource received Commission approval on 10/25/2013 to move \$190,000 from the 2012 carryover to the RLF. The transfer increased Eversource’s original \$500,000 to \$690,000.

Approved in the settlement agreement covering the 2013/2014 CORE Programs, Unitil added \$115,000 to the original loan balance of \$725,000, bringing the total to \$840,000.

The UES details per the 4th quarterly report of the 2018 program year were noted to be:

Revolving Loan Fund	\$ 800,250
Less-Loans issued	\$(1,349,877)
Plus payments received	<u>\$ 1,002,552</u>
	\$ 452,924
Less Loans in process	<u>\$ (1,541)</u>
Available to Lend as of 12/31/2018	\$ 451,383

A review of the reconciliation of the 4th quarterly report to the general ledger reflects:

	<u>12/31/2017</u>	<u>12/31/2018</u>
The 44-173-0X-00 GL accounts total	\$(462,041)	\$287,086
Less the portion of the \$1.2M grant	\$ 99,375	\$137,662
Less a reserve for administrative costs	\$ 39,750	\$ 39,750
Plus a default (reduced loan availability)	\$ (7,534)	\$ -0-
Plus administrative costs 2009 – 2012	\$ (14,656)	\$ (14,656)
Less pending loan per 4 th quarter	\$ 1,541	\$ 1,541
Available to lend per 4 th Quarter Report	\$ 343,565	\$451,383

The 173-03-00 account and Accounting model includes the UES portion of the \$1.2 million dollar grant proceeds (refer to the RGGI audit and discussion of compliance with RSA 125-O:23 within this report). The Accounting model reflects the total RGGI RLF and grant proceeds on one Excel sheet. For UES, \$77,929 was received in 2016 and \$35,433 in 2017. The remaining grant disbursement of \$24,300 was booked in 2018, for a total of \$137,662.

The Company indicated that the \$39,750 represents the allocated administrative expenses associated with the revolving loan fund, and is being “reserved” for use in the future. Administrative Costs were those incurred from the years 2009 – 2012.

Third Party Financing Program

As found in the 4th Quarter Report filed by Eversource, UES did not buy down the interest rate on any third party loans. The referenced \$771.61 earlier in this report was the result of a correction of a mis-posting in 2017 between UES and Northern.

Lost Base Revenue

For the calendar year 2018, the lost base revenue (LBR) rate was approved by the Commission to be \$0.00031, included within the total System Benefits Charge. The rate was approved in docket DE 17-136.

Within the shareholder incentive package provided to the Commission on 6/4/2019 was a 14 page component relating to the lost base revenue. Because 2017 was the first year in which the lost base revenue component of the SBC was approved, the roll-forward, for 2017 is reflected (from the 2017 Audit report) for information only:

a/o 12/31/2017

Pg 2 of 14 line 1, Beginning Balance	\$ -0-
Pg 1 of 14, line 12 and Pg 2 of 14, line 2 Lost Revenues	\$ 111,139
Pg 2 of 14, line 3, Revenue collected	\$(101,543)
Pg 2 of 14, line 8, Computed Interest	<u>\$ (705)</u>
Pg 2 of 14, line 9, Ending Balance Under-collection	\$ 8,891

The Company indicated that the reported under-collection of \$8,891 would be “trued-up” once the savings and resulting calculated revenues were accepted based on the conclusion of the 2017 audit. There were no recommended adjustments to the lost revenue calculations for calendar year 2017.

The Calendar year 2018 reported “actuals” noted on pages 1 of 14 and 2 of 14 reflect:

	<u>a/o 12/31/2018</u>
Pg 2 of 14 line 1, Beginning Balance	\$ 8,892
Pg 1 of 14, line 12 and Pg 2 of 14, line 2 Lost Revenues	\$ 329,408
Pg 2 of 14, line 3, Revenue collected	\$(366,793)
Pg 2 of 14, line 8, Computed Interest	<u>\$ (1,373)</u>
Pg 2 of 14, line 9, Ending Balance Over-collection	\$ (29,866)

The general ledger reflected:

10-20-00-24-173-00-00 Accrued Revenue SBC-LBR	\$ (761.91)
10-20-01-24-4xx-xx-00 15 Elec Rev SBC-LBR accounts	\$(366,746.32)
10-20-01-24-431-00-00 Int Expense SBC-LBR	<u>\$ 941.96</u>
Net General Ledger	\$(366,566.27)

Audit compared the annualized kWh lost revenue estimates, from Attachment H3, Bates page 000341 of the 2018 NHSaves plan to the shareholder incentive page 1 of 14:

	<u>Attachment H3</u>	<u>Shareholder Incentive Pg 1 of 14</u>	<u>SH Pg 1 of 14 as % of R</u>
Residential Annualized Savings	3,090,828	2,868,213	93%
C&I Annualized Savings	<u>5,614,948</u>	<u>6,708,141</u>	<u>120%</u>
Combined	8,705,776	9,576,354	110%

Order 25,932 in docket DE15-137 indicated that calculated actual the annualized savings (not dollars) could not exceed the budgeted annualized savings by more than 10%. As identified above, UES did not exceed the 110% threshold for the residential sector, but did exceed the annualized savings for the commercial sector. The combined savings represent 110% of the estimate. As noted in docket DE 15-137, Gas and Electric Energy Efficiency Resource Standard, Electric Attachment A, the LRAM cap was footnoted to be on the combined total annualized savings for UES.

The shareholder incentive page 1 of 14 shows the actual cumulative savings based on the measures installed in calendar year 2018. Because each month reflects the annualized savings, the lines must be divided by twelve to determine the monthly savings, then multiplied by the

average distribution rate. Each month's calculation is rolled into the following month. Page 1 of 14 reflects a calculated actual loss of revenue due to annualized savings of installed efficiency measures of \$329,408

Audit understands that actual installed savings during 2018 are reflected within a detailed pivot table, by month, which reflects the total savings associated with that month's installation. The download identifies the sector, specific measure, program, project code, installation date, month, monthly kWh savings, monthly therm savings, and annual therm savings. The Company indicated that the inputs to the database are spot-checked to ensure the integrity of the output.

The comparison continues, using Attachment H3:

	<u>Attachment H3</u>	Shareholder <u>Incentive</u>	SH <u>as % of H3</u>
Residential <u>Monthly</u> Savings	257,569	239,018	93%
Lost Residential Revenue \$	\$114,141	\$ 85,126	75%
C&I <u>Monthly</u> Savings	467,913	559,012	119%
Lost C&I Revenue \$	<u>\$252,605</u>	<u>\$ 244,282</u>	<u>97%</u>
Total Lost Revenue \$	<u>\$366,746</u>	<u>\$329,408</u>	<u>90%</u>

The estimate in Attachment H3 of the plan reflected average distribution rates for Residential customers of \$0.03682 for ten months of the year and what looks to be a typographical error of 2 for two months. For C&I customers, \$0.03153 for ten months of the year, with an apparent typographical error of 3 for two months.

Average distribution rates included within the shareholder incentive reflected:

	Residential	C&I
January – April	\$0.03682	\$0.03079
May – December	\$0.03537	\$0.03141

Audit reviewed the monthly billing summaries by rate class and verified the approved LBR rate of \$0.00031 was charged to all customer classes throughout 2018. Outdoor Lighting customers do not use enough kWh to incur the charge. In January 2018, the rate, as calculated using the straight kWh divided by the reported lost revenue, was a blend of the 2017 rate of \$0.00009 and \$0.00031 due to the billing cycles.

Summary

Based on the limited review of the UES 2018 NHSaves programs, the revolving loan fund, use of the quarterly RGGI auction proceeds, and the calculations of the lost base revenue, there were no exceptions identified with the filing made on June 4, 2019.

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: February 18, 2020
AT (OFFICE): NHPUC

FROM: Karen Moran, Chief Auditor

SUBJECT: New Hampshire Electric Cooperative
DE 17-136 2018 NHSaves Energy Efficiency Programs
FINAL Audit Report

TO: Tom Frantz, Director NH PUC Electric Division
Rich Chagnon, Assistant Director NH PUC Electric Division
Liz Nixon, Analyst NH PUC Electric Division

Introduction

The Public Utilities Commission Audit Staff (Audit) has conducted an audit of the books and records related to the Electric and Gas Energy Efficiency Programs for the calendar year 2018. The four participating electric utilities, Unitil Energy Systems, Inc. (UES), Public Service of New Hampshire d/b/a Eversource (Eversource), New Hampshire Electric Cooperative (NHEC), and Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities (GSE or Liberty) and two gas utilities, Northern Utilities, Inc. (Northern) and Liberty Utilities (EnergyNorth Natural Gas) Corp. (ENG or Liberty) filed a joint petition for the program year 2018. Each utility was audited individually.

Audit appreciates the assistance of Carol Woods, Energy Solutions Executive.

Approved 2018 Programs

The participating utilities submitted a joint energy proposal to the Commission on September 1, 2017 for the program years 2018, 2019 and 2020. A joint Settlement Agreement was provided to the Commission on December 8, 2017, and approved by Order #26,095 on January 2, 2018. An update to the EERS plan was provided, as required, on January 12, 2018. For NHEC, the following programs were approved:

Residential

- Home Energy Assistance Program (HEA)
- Energy Star Homes Program– (ESH)
- NH Home Performance with Energy Star Program (HPwES)
- Energy Star Products Program (ESP)
- Third Party Loans
- On-bill Financing

Commercial, Industrial and Municipal

- Large Business Energy Solutions Program
- Small Business Energy Solutions Program

Municipal Program
Educational Programs
Third Party Loans
On-bill Financing
Utility Specific
Smart Start
Member Engagement

Changes to NHSaves for 2018

Attachment A to the Plan, filed on January 12, 2018 in compliance with Order 26,095 that approved the settlement agreement, included the following changes for the 2018 program year:

Program Design changes

- HEA will provide additional information and training to help identify and address high electric usage areas; install ductless heat pump equipment for customers currently using electric resistance heat and/or electric cooling when deemed cost effective; incorporate new efficient appliances beyond refrigerators directly within the HEA program.
- ESH will implement ENERGY STAR Homes Version 3.1 to provide additional incentives for builders who meet Version 3.1 standards; implement Code Plus Initiative to provide reduced incentives for new homes that are built above code but fall short of ENERGY STAR certification requirements; explore a Major addition/renovation option to provide incentives for construction projects that have potential for incorporating highly efficient building practices but are not eligible for ENERGY STAR New Homes of Code Plus. NHEC will work with builders to identify trial projects. Based on NHEC's research, other utilities will decide whether to adopt a similar initiative based on the scale of opportunity and cost effectiveness in the future. Audit requested the status of this work, and was told: *"NHEC has been investigating the potential for developing a renovation initiative within the ESH program over the course of the 3 year plan. We did not have any projects that completed in 2018. We had one project that completed in 2019 and 2-3 that will complete in 2020. These results will be compiled in 2020 with recommendations that will be incorporated into the 2021-2023 planning discussions."*
- HPwES will implement a new software package that captures energy audit information, calculates energy savings, provides reports to customers, facilitates project review by the NH Utilities and facilitates contractor billing; will incorporate additional appliances such as dehumidifiers, clothes washers, clothes dryers, room air purifiers and other measures where they are deemed cost effective; will explore a high electric usage program offering to capture additional electric savings; implement a new visual audit and direct install option to expand eligibility for natural gas programs and electric companies will consider a similar expansion; develop a new contractor handout to provide homeowners with relevant information about other programs and the availability of Home Energy Scores; make adjustments to streamline the process.
- ESP will expand lighting product markdowns with additional retailers; update equipment efficiency requirements for heat pump rebates to align with Cold Climate heat pump standards; introduce tiered incentives for clothes washers, clothes dryers and refrigerators starting in 2018.

- HER Home Energy Reports: Eversource will continue with 50,000 customers in 2018, increase to 105,000 in 2019 and 190,000 in 2020; Liberty/Granite State electric will introduce the program to 12,000 electric customers; Unitil will select a vendor for a 2018-2020 behavior program, which could be Home Energy Reports, depending on the final analysis of bids and program options.
- NHEC Member Engagement NHEC will investigate a member engagement option.
- Commercial, Industrial and Municipal Programs have enhanced focus on multi-year commitments for Large C&I customers; added performance based incentives for Large C&I New Equipment and Construction (NEC) projects; put additional focus on Energy Master Planning for large business customers; Midstream Distributor relationships will be used for natural gas water heaters and heating equipment; combined heat and power as a custom measure will be available through Unitil and Liberty.

Changes in Savings Assumptions

- HEA: Reduced the measure life of LED from 8 years to 5 years.
- HPwES: Revised annual electric and MMBTU savings to reflect current projects modeled in the program auditing software; reduced the measure life of LED from 8 to 5 years.
- ESH: Reduced the measure life of LED from 8 to 5 years; reduced savings projections in anticipation of an ongoing impact evaluation.
- ESP: Reviewed regional technical resource manuals (TRM); updated the savings assumptions on the ENERGY STAR Calculator for clothes washers, ductless mini-slits, refrigerators, dehumidifiers, dryers, LED.
- Large and Small Business Energy Solutions and Municipal, and Eversource's RFP programs: Updated annual energy savings and measure mixed based on most recent historical data and current trends.

Other Changes

- Budget adjustments within sectors were revised requiring notification if expenditures are forecasted to exceed 120% of the budget.
- The 40% cap for customer commitments in future years was removed from multi-year project approvals.
- C&I programs: Customers who supply a portion of their energy needs will be eligible for incentives based on the level of kWh billed in the most recent twelve-month period.
- The 2018-2020 plan will emphasize marketing and communications, perform market research to better understand NH customer behavior and develop a statewide marketing campaign. The plan also focuses on program continuity.

Benefit-Cost Testing – The utilities use the Total Resource Cost (TRC) test to determine if the program is cost effective. For the 2018-2020 program years, the formula has been revised to increase the nominal discount rate from 3.5 to 4.0 percent and also increase the inflation rate from 1.18 to 1.56 percent. An NEI adder of 10% will be included in the numerator and applied to all electric, gas and other fuel benefits. The inclusion of the adder is to account for non-energy impacts of energy efficiency programs and measures.

Demand Reduction Induced Price Effects (DRIPE) was first included in 2017 and will continue to be included in the 2018-2020 program years. The Settling Parties agree that Rest of Pool (ROP) DRIPE shall be removed from the Benefit/Cost Test. ROP DRIPE refers to reductions in

wholesale prices that occur outside New Hampshire as a result of New Hampshire energy efficiency programs.

The 2018 Performance Incentive outlined in a settlement agreement and as approved by Order 25,932 set a target of 5.5% of program expenditures, with a cap of 6.875%.

Mid-Year Adjustments

The utilities are authorized to transfer 20% or less of an individual program budget, without Commission approval, although notification to Staff and interested parties is required. Transfers in excess of 20% require review by the Commission. On 12/26/2018, NHEC sent a letter to the Commission indicating that the Home Energy Assistance Program (HEA) anticipated spending 132% of the original budget, \$287,671. At the time of the letter, \$380,497 had been spent. To account for the spending in this program, the NHEC utilized \$85,423 from the 2017 carryforward balance, and transferred \$7,403 from the EnergyStar Appliances program.

NHSaves Filing Summary

NHEC filed their 2018 Member Incentive report on August 1, 2019. As noted in docket DE 10-188, Order 25,189, the utilities agreed to strive to complete their prior year performance incentive filings by June 1 of the subsequent calendar year.

The filed 2018 beginning balance matches the audited 2017 ending balance of \$171,913.

Beginning Balance per Attachment G1	\$ 260,845 over-collection
2017 Member Incentive booked 2018	\$ <u>(86,579)</u>
Carryforward Balance over collection	\$ 177,820 adjusted beginning balance
System Benefit Charge	\$ 2,161,104
RGGI Funding	\$ 207,233
FCM Funding	\$ 121,156
Interest	\$ 33,088
Energy Efficiency Expenses	\$(2,011,286)
2018 Member Incentive booked 2019	\$ <u>(110,563)</u>
Carryforward Balance over collection	\$ 578,553 over-collection

The filed and calculated ending over collected balance for the NHEC 2017 NHSaves Programs was \$171,913. The amount reflected in the general ledger account 254.40, was \$260,845. The difference from the account 2017 ending balance and the filed balance is \$88,932, primarily due to NHEC booking the 2017 performance incentive in 2018. The 2017 incentive was identified in the prior Member Incentive report to be \$88,932, or \$2,353 higher than the \$86,579 actually posted. The reduction to the incentive is the result of excluding Smart Start expenses, originally included in the calculation. A correction of \$3,554 charged to cost center 24 in error, and an adjustment to interest was identified, and posted. The activity and ending balance, other than the 2018 member incentive which was booked in 2019, was verified from the Member Incentive Attachment G1 to the "Reconciliation of Energy Efficiency Program for year 2018" without exception. The Reconciliation is the rolling over/under reflection of all

activity, and includes a section relating to kWh sales by rate class and the associated energy efficiency portion of the System Benefits Charge.

Budget vs. Actual

According to the Order, and found in the filing, the Utilities shall not exceed 20% of their prescribed budget without Commission approval. The tables below detail the budgeted and actual expenses for 2018. Budget detail was found in the docket book filed on 1/12/2018 as Attachment C. Actuals were verified to the Member Incentive and general ledger detail. Overall, NHEC was at 92% of their budget.

2018 Budget per Plan filed 1/12/2018 in DE 17-136

	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&V</u>	<u>Total</u>
Home Energy Assistance	\$ 25,429	\$ 15,232	\$ 261,045	\$ 50,887	\$ 4,764	\$ 13,728	\$ 371,085
Home Performance with EnergyStar	\$ 25,429	\$ 15,232	\$ 177,631	\$ 50,887	\$ 4,764	\$ 13,728	\$ 287,671
EnergyStar Homes	\$ 30,486	\$ 14,609	\$ 111,315	\$ 61,007	\$ 4,764	\$ 13,728	\$ 235,909
EnergyStar Products	\$ 51,051	\$ 24,464	\$ 278,595	\$ 76,721	\$ 25,000	\$ 13,728	\$ 469,559
FCM Reporting	\$ -	\$ -	\$ -	\$ 2,085	\$ -	\$ 3,915	\$ 6,000
Total Residential	\$132,395	\$ 69,537	\$ 828,586	\$241,587	\$ 39,292	\$ 58,827	\$1,370,224
Large Business Energy Solutions	\$ 25,429	\$ 12,185	\$ 168,290	\$ 50,887	\$ 6,549	\$ 13,728	\$ 277,068
Small Business Energy solutions	\$ 25,429	\$ 12,185	\$ 205,688	\$ 50,887	\$ 6,549	\$ 13,728	\$ 314,466
Municipal Program	\$ 12,715	\$ 6,093	\$ 92,992	\$ 25,443	\$ 6,549	\$ 13,728	\$ 157,520
Education and FCM Reporting	\$ -	\$ -	\$ 20,000	\$ 23,028	\$ 11,414	\$ 9,134	\$ 63,576
Total C&I	\$ 63,573	\$ 30,463	\$ 486,970	\$150,245	\$ 31,061	\$ 50,318	\$ 812,630
TOTAL	\$195,968	\$100,000	\$ 1,315,556	\$391,832	\$ 70,353	\$ 109,145	\$2,182,854

Actuals per 4th Quarterly Report of Expenses by Activity

	<u>Int Admin</u>	<u>Ext Admin</u>	<u>Rebate/Service</u>	<u>Implmntn</u>	<u>Marketing</u>	<u>EM&V</u>	<u>Total</u>	Actual
Home Energy Assistance	\$ 24,285	\$ 7,668	\$ 248,970	\$ 49,424	\$ 7,079	\$ 11,063	\$ 348,489	94%
Home Performance with EnergyStar	\$ 26,750	\$ 11,605	\$ 272,410	\$ 54,135	\$ 6,368	\$ 11,929	\$ 383,197	133%
EnergyStar Homes	\$ 9,498	\$ 10,918	\$ 70,429	\$ 51,469	\$ 2,089	\$ 3,337	\$ 147,740	63%
EnergyStar Products	\$ 28,708	\$ 7,476	\$ 262,655	\$ 93,428	\$ 9,294	\$ 23,697	\$ 425,258	91%
FCM Reporting	\$ 1,987	\$ -	\$ -	\$ -	\$ -	\$ 3,191	\$ 5,178	86%
Total Residential	\$ 91,228	\$ 37,667	\$ 854,464	\$ 248,456	\$ 24,830	\$ 53,217	\$ 1,309,862	96%
Large Business Energy Solutions	\$ 20,993	\$ 5,467	\$ 224,665	\$ 41,004	\$ 5,181	\$ 7,376	\$ 304,686	110%
Small Business Energy solutions	\$ 16,151	\$ 4,206	\$ 160,393	\$ 49,684	\$ 3,986	\$ 7,142	\$ 241,562	77%
Municipal Program per SB123	\$ 9,144	\$ 2,381	\$ 93,772	\$ 24,022	\$ 2,380	\$ 3,472	\$ 135,171	86%
Education and FCM Reporting	\$ 5,250	\$ 160	\$ 6,591	\$ 1,161	\$ 151	\$ 7,662	\$ 20,975	33%
Total C&I	\$ 51,538	\$ 12,214	\$ 485,421	\$ 115,871	\$ 11,698	\$ 25,652	\$ 702,394	86%
TOTAL	\$ 142,766	\$ 49,881	\$ 1,339,885	\$ 364,327	\$ 36,528	\$ 78,869	\$ 2,012,256	92%
\$571 Administrative SmartStart expenses included in NHSaves, not included in Incentive								
True-up							\$ (970)	
TOTAL including SmartStart	\$ 142,766	\$ 49,881	\$ 1,339,885	\$ 364,327	\$ 36,528	\$ 78,869	\$ 2,011,286	92%

As required by the Settlement, 17% of the overall NHSaves expenses in 2018 must be budgeted for the Low Income Weatherization Program (HEA). Audit verified that the actual HEA expenses of \$348,489 represent 17.3% of the total actual expenses of \$2,011,286.

Revenue

The total of the funding sources for the 2018 calendar year, found in the Performance Incentive report, were reported to be:

System Benefit Charge	\$(2,161,104)
RGGI Funding	\$ (207,233)
FCM Payments	\$ (121,156)
Interest	\$ (33,088)
Total Funding	\$(2,522,581)

System Benefits Charge

<u>Month 2018</u>	per Monthly EAP reports:			<u>Total kWh by Rate Class</u>
	<u>kWh</u>	<u>group net meter</u>	<u>NET kWh</u>	
January	88,603,655	(1,481)	88,602,174	88,602,175
February	78,496,980	(2,281)	78,494,699	78,494,701
March*	61,910,864	(3,482)	61,907,382	61,901,705
April	62,575,498	(16,072)	62,559,426	62,556,230
May	50,940,380	(20,810)	50,919,570	50,916,935
June	54,713,607	(37,779)	54,675,828	54,669,594
July	64,762,992	(36,362)	64,726,630	64,722,877
August	69,181,075	(32,923)	69,148,152	69,145,520
September	69,488,534	(28,433)	69,460,101	69,456,590
October	51,557,347	(23,886)	51,533,461	51,532,191
November	61,458,192	(10,194)	61,447,998	61,447,609
December	72,387,098	(2,209)	72,384,889	72,384,101
Total net kWh sold to which the SBC appli			785,860,310	785,830,228
				30,082
		EE portion of SBC		0.00275
				\$ 82.73

***original kWh includes 4640 from 2017**

Audit requested and was provided with the kWh sales data by rate class for the calendar year. A comparison to the sales reported to the Commission monthly, as part of the Electric Assistance Program (EAP), demonstrated that for 2018, a variance of 30,082 kWh sales, or \$82.73 in Energy Efficiency funding was noted. 4,640 of the kWh difference related to under-reported sales during 2017. Ski area kWh sales are a month behind. SBC revenues were also verified to the general ledger accounts associated with the Demand Side Management (DSM) below:

440.40 DSM Recovery Residential	\$1,341,170
442.40 DSM Commercial	\$ 340,371
442.41 DSM Recovery PG <1000KVA	\$ 81,922
442.43 DSM Recovery PG >1000KVA	\$ 74,268
442.44 DSM Ski Area Revenue	\$ 81,899
442.45 DSM Industrial	\$ 238,631
444.15 DSM Lighting	<u>\$ 2,844</u>
Total SBC Revenue	\$2,161,105

2018 RGGI Auction Proceeds \$207,233

According to the 2018 Member Incentive package attachment G1, the RGGI proceeds to be used for Energy Efficiency summed to \$207,233, representing the four quarterly auctions during 2018. The proceeds were verified to general ledger account 254.40, Miscellaneous Deferred Credit-DSM Over Recovery, as well as to the Audit work performed for the RGGI 2018 year. The statute required, after administrative costs, a portion of the quarterly proceeds be refunded to all retail electric ratepayers, and a portion be combined with the SBC Funded Energy Efficiency programs administered by the participating Electric Utilities. Further, according to RSA 125-O:23, the RGGI auction proceeds that are directed to the Energy Efficiency Programs were specifically directed over the following three programs, in this order:

1- At least 15% to the Low Income weatherization program;

2- Up to \$2,000,000 Annually to Municipal and Local Government energy efficiency projects, this amount will roll over and accumulate until May of program year 2017 when, meeting certain requirements, the unused portions (if available) of the funds may be released to other C&I customers.

3- The remainder to an All Fuels, comprehensive energy efficiency program administered by qualified parties which may include electric distribution companies as selected through a competitive bid process.

The total auction proceeds for the year were \$13,878,414 distributed as follows, in accordance with RSA 125-O:23:

2018 Auction Proceeds	\$ 13,878,414
Refunded to All Customers	\$(10,727,081)
Set Aside for Admin Costs	\$ (325,000)
Set Aside for All Fuels Grant	\$ (235,333)
Distributed to NHSaves at Electric Utilities	<u>\$ (2,591,000)</u>
Undistributed	\$ -0-

The proceeds are distributed to Eversource, NHEC, Liberty, UES, and municipalities with their own electric departments: Ashland; Littleton; New Hampton; Wolfeboro; and Woodsville. The breakdown by recipient is as follows:

Calendar Year 2018

	<u>Auction #39</u>	<u>Auction #40</u>	<u>Auction #41</u>	<u>Auction #42</u>	<u>2018 Total</u>
NH Proceeds	\$ 2,902,598	\$ 3,432,119	\$ 3,446,357	\$ 4,097,340	\$ 13,878,414
# of Allowances Sold	765,857	853,761	765,857	765,858	3,151,333
RGGI Proceeds at \$1.00	\$ 765,857	\$ 853,761	\$ 765,857	\$ 765,858	\$ 3,151,333
Administrative Expenses	\$ (88,750)	\$ (88,750)	\$ (73,750)	\$ (73,750)	\$ (325,000)
RFP 14-004 All-fuels grant	\$ (100,000)	\$ (100,000)	\$ (15,000)	\$ (20,333)	\$ (235,333)
Available to Energy Efficiency	\$ 577,107	\$ 665,011	\$ 677,107	\$ 671,775	\$ 2,591,000

Distributed to each utility for the NHSaves Energy Efficiency programs:

Eversource	\$ (419,376)	\$ (483,255)	\$ (492,045)	\$ (488,170)	\$ (1,882,847)
NHEC	\$ (46,158)	\$ (53,189)	\$ (54,156)	\$ (53,730)	\$ (207,233)
Liberty	\$ (47,874)	\$ (55,166)	\$ (56,170)	\$ (55,728)	\$ (214,938)
UES	\$ (63,698)	\$ (73,401)	\$ (74,736)	\$ (74,147)	\$ (285,982)
distributed to Energy Efficiency	\$ (577,107)	\$ (665,011)	\$ (677,107)	\$ (671,775)	\$ (2,591,000)

Distributed to electric utilities for refunding to customers:

Eversource	\$ (1,538,756)	\$ (1,856,783)	\$ (1,930,340)	\$ (2,399,139)	\$ (7,725,019)
NHEC	\$ (149,584)	\$ (180,500)	\$ (187,651)	\$ (233,223)	\$ (750,959)
Liberty	\$ (177,255)	\$ (213,889)	\$ (222,363)	\$ (276,365)	\$ (889,872)
UES	\$ (235,843)	\$ (284,586)	\$ (295,860)	\$ (367,713)	\$ (1,184,002)
Ashland	\$ (3,524)	\$ (4,253)	\$ (4,421)	\$ (5,495)	\$ (17,694)
Littleton	\$ (13,259)	\$ (16,000)	\$ (16,633)	\$ (20,673)	\$ (66,565)
New Hampton	\$ (727)	\$ (877)	\$ (912)	\$ (1,134)	\$ (3,651)
Wolfboro	\$ (13,325)	\$ (16,079)	\$ (16,716)	\$ (20,775)	\$ (66,895)
Woodsville	\$ (4,467)	\$ (5,390)	\$ (5,604)	\$ (6,964)	\$ (22,425)
Total Rebated	\$ (2,136,741)	\$ (2,578,358)	\$ (2,680,499)	\$ (3,331,482)	\$ (10,727,081)

Audit verified the NHSaves revenue postings to account 254.40 without exception. According to the 2018 4th Quarter Report, page 29, NHEC spent \$40,777 on the HEA programs (code 117), and \$135,170 on Municipal Programs (code 120). The HEA spending (for RGGI purposes) was 23% of the total \$175,947 spent. Per RSA 125-O:23, the unused portions of the Municipal funds may be released to other C&I customers. The difference in the \$207,233 proceeds and the actual spending \$175,947 is \$31,286 available for C&I. NHEC noted that the remaining funds were available for use in the Large C&I program. Since the \$31,286 was less than 20% of the budget, an official transfer was not performed.

FCM Revenue and Expenses

per 4th Quarterly Report filed in DE 17-136 on 3/1/2019

Actual Forward Capacity Market Proceeds and Expenses

	<u>Liberty</u>	<u>NHEC</u>	<u>Eversource</u>	<u>Unitil</u>	<u>Total</u>
<u>Proceeds</u>					
Quarter 1	\$ 133,061	\$ 37,836	\$ 1,315,519	\$ 185,990	\$ 1,672,406
Quarter 2	\$ 148,139	\$ 28,766	\$ 1,319,789	\$ 193,868	\$ 1,690,562
Quarter 3	\$ 191,581	\$ 26,432	\$ 1,828,653	\$ 231,076	\$ 2,277,742
Quarter 4	\$ 190,450	\$ 28,122	\$ 1,820,155	\$ 229,153	\$ 2,267,880
Total Proceeds	\$ 663,231	\$ 121,156	\$ 6,284,116	\$ 840,087	\$ 7,908,590
<u>Financial Assurance</u>					
Quarter 1	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter 2	\$ -	\$ -	\$ (1,000)	\$ (1,000)	\$ (2,000)
Quarter 3	\$ -	\$ -	\$ -	\$ -	\$ -
Quarter 4	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fnc'l Assurance	\$ -	\$ -	\$ (1,000)	\$ (1,000)	\$ (2,000)
<u>Other Expenses</u>					
Quarter 1	\$ (8,208)	\$ (3,182)	\$ (7,637)	\$ (721)	\$ (19,748)
Quarter 2	\$ (22,727)	\$ (1,445)	\$ (19,555)	\$ (3,408)	\$ (47,135)
Quarter 3	\$ (2,131)	\$ (9,988)	\$ (8,156)	\$ (7,945)	\$ (28,220)
Quarter 4	\$ (4,576)	\$ -	\$ (15,282)	\$ 1,403	\$ (18,455)
Total Other Expenses	\$ (37,642)	\$ (14,615)	\$ (50,630)	\$ (10,671)	\$ (113,558)
Total Expenses	\$ (37,642)	\$ (14,615)	\$ (51,630)	\$ (11,671)	\$ (115,558)
NET FCM	\$ 625,589	\$ 106,541	\$ 6,232,486	\$ 828,416	\$ 7,793,032

Audit verified that the FCM/ISO capacity revenue of \$121,156 was credited to account 415.26, Revenue-ODR, activity code 134. The revenue was also verified to the fourth quarterly filing for NHSaves for 2018.

FCM expenses of \$14,615, also identified as code 134, were noted within the fourth quarterly filing and traced to accounts:

416.45 Administrative Salaries CP&S	\$ 3,977
416.50 Evaluation Miscellaneous Expense	<u>\$10,638</u>
	\$14,615

Refer to the Payroll portion of this report for discussion regarding the Salaries and Benefit Allocation.

Interest \$33,088

Throughout 2018, the interest was calculated using the prime rates in effect. Audit verified the rates to the <https://fred.stlouisfed.org/data/PRIME.txt> and noted the rates for 2018 to be:

- January, February and March – 4.50%
- April, May and June – 4.75%
- July, August, September – 5.00%
- October, November, December – 5.25%

Noted within the 2017 NHSaves audit report, “NHEC recalculated the interest using the new interest rates and the total of the year was \$11,527 or a \$1,006 difference from the original calculation. An adjusting entry was performed to correct the interest amount in the general ledger. Journal entry #121810 corrected \$937.45 of the interest and the remaining \$68.54 will be corrected in a journal entry that Audit reviewed but has not yet been posted to the general ledger. This correction will be included in the 2018 SBC fund balance reconciliation.” The adjustment is part of the \$3,554 adjustment, discussed on page 12.

Interest was recalculated using the average monthly balance, including interest from the previous month, throughout the calendar year 2018. NHEC uses the formula:

$$\text{Interest} = (((\text{Beg Bal} + \text{End Bal}/2) \cdot \text{rate})/365) \cdot \text{Actual \# of days in month}$$

Expenses \$2,011,286

The ODR revenue account, representing the Forward Capacity Market revenue for the year, is netted against the total expense in the accounting structure below. However, it is properly reflected in the revenue portion of the incentive filing. Thus, the \$1,890,130 expense total, plus the revenue \$121,156 = \$2,011,286. The 4th quarterly report for 2018 shows total expenses of \$2,012,256 which is \$970 higher than the Member Incentive. The difference was noted as a 2017 true-up.

Account	Cost Center	Description	Total
41526	24	ODR revenue	\$ (121,156.02)
41619	24	Misc. General Expense	\$ 1,339,884.65
41635	24	Payroll Energy Solution Indirect	\$ 206,282.90
41645	24	Payroll Management	\$ 84,245.09
41647	24	Sick Time	\$ 9,216.44
41648	24	Taxes & Benefits Expense	\$ 186,919.34
41649	24	Consultants & Legal Expense	\$ 48,911.72
41650	24	Evaluation Misc.	\$ 71,755.98
41651	24	Evaluation Payroll	\$ 4,270.96
41652	24	Transportation Management	\$ 2,471.35
41654	24	Transportation Expense Indirect	\$ 9,874.53
41655	24	Training/Conferences Expense	\$ 10,087.45
41665	24	Marketing Expense	\$ 23,731.54
41667	24	Marketing Payroll	\$ 12,797.03
41677	24	Office supply & expense	\$ 837.18
92020	24	Other General Office Salaries	\$ -
			<u>\$ 1,890,130</u>

Member Incentive

NHEC's Performance Incentive was filed with the Commission on August 1, 2019 and noted an incentive amount of \$110,563. Smart Start expenses were properly excluded from the incentive calculation. Because NHEC is Member owned, a calculated lost base revenue component is not part of the annual report.

Within the 2017 Audit report, "*NHEC acknowledged that the correct expense amount for 2017 is \$1,538,715. The amount stated on page 5 of \$1,525,753 was a clerical error. Upon completion of this (2017) audit, NHEC will file a revised performance incentive calculation, which will exclude Smart Start savings and expenses, with the Commission. The revised 2017 performance incentive will be reviewed for accuracy during the 2018 NHSaves audit. Audit will also verify that both customer segments' calculated performance incentives are below the 2017 Commission authorized 6.875% incentive cap.*" While the revised filing was not submitted (due to the timing of the 2017 Audit report, dated 2/12/2019), the calculations were provided to Audit and did not have exceed the cap of 6.875%.

The \$110,563 incentive for 2018 was not booked to the general ledger during the program year 2018, but was posted during 2019. The prior 2017 incentive of \$86,579 was booked to the 254.40 account in December 2018. The 2018 incentive for both the Commercial/Industrial and Residential segments did not exceed the 6.875% cap.

Payroll

Payroll related expenses were verified to the following general ledger accounts for 2018. Indirect payroll is spread among employees' assigned activity codes, and as the weekly timesheet database is updated, the indirect allocation is calculated using the hourly payroll rate divided by 2,080 hours, with the result applied to the number of hours input by the employee. Sick time is tied to activity codes and general ledger accounts and spread only as time is reported as used within the week.

24.416.35 CP&S Salaries	\$206,283
24.416.45 Administrative Salaries CP&S	\$ 84,245
24.416.47 P&B Sick Leave	\$ 9,216
24.416.51 Evaluation (Payroll)	\$ 4,271
24.416.67 Marketing (Payroll)	<u>\$ 12,797</u>
Subtotal Payroll	\$316,812
24.416.48 P&B Benefit Allocation	<u>\$186,919</u>
Total Payroll and Benefits	\$503,731

The P&B Benefit allocation was recalculated by Audit at 59%, the benefit rate in place for 2018. As was noted in the 2017 audit report, the benefit allocation for that year varied from "*the straight calculation amount of \$186,734 and the GL benefit allocation amount of \$189,268, by \$2,533. NHEC noted the difference is related to two correcting journal entries that were completed in May and June 2017. A total of \$4,105 of payroll was removed from account*

24.416.35 and transferred to account 20.416.35, but the benefits associated with the payroll were not moved. The payroll total of \$4,105 multiplied by the benefit allocation rate of 61.70% equals \$2,533; the difference in the calculated benefit amount and the GL benefit amount. NHEC has noted they will perform a correcting journal entry to remove the benefit amount of \$2,533 from account 24.416.48. Audit reviewed a copy of the journal entry, which has not yet been posted to the general ledger, correcting the \$2,533 benefit allocation. This correction will be included in the 2018 SBC fund reconciliation.” The \$3,554

2017 Year-end Balance	254.40	\$(260,844.66)
Calculated Balance as of 1/2019		<u>\$(264,398.97)</u>
Variance		\$ (3,554.31)

JE 121810 posted 1/3/2019

419.26 Benefits	Debit	\$937.45	
443.40	Credit		\$(19.35)
254.40 DSM Over/Under	Credit		\$918.10
Total		\$937.45	\$(937.45)

Audit verified that the correcting entry was identified as:

926.00 Benefits	Debit	\$2,533.18	
419.26 Interest	Debit	\$ 68.54	
930.40 Over/Under	Debit	\$ 34.49	
254.40 DSM Over/Under	Credit		\$(2,636.21)
Total		\$2,636.21	\$(2,636.21)

The entry was included within the reconciliation of the Energy Efficiency program, which was verified to the 254.40 DSM Over/Under 12/31/2018 ending balance of \$(689,115.19).

Transportation

Transportation charged to account 24.416.52 Transportation Expense-Administration, represents Internal Administrative transportation mileage and tolls to such things as PUC meetings and hearings. The total in the account, \$2,471 was booked to activity code 162 and allocated among all NHSaves programs. Account 24.416.54, Cost-Job Work Sales-Transportation Indirect represents Internal Implementation activities such as site visits and transportation costs which follow the specific employee’s labor charges. The total for 2018 was \$9,875. The combined Transportation cost for 2018 was \$12,345.88, booked to the following activity codes:

	Transportation		
	<u>#24.416.52</u>	<u>#24.416.54</u>	<u>TOTAL</u>
162-Allocate to all programs	\$ 2,471.35	\$ 1,631.20	\$ 4,102.55
116-Energy Star Lighting		\$ 1,772.77	\$ 1,772.77
117-Home Energy Assistance		\$ 1,311.29	\$ 1,311.29
120-Municipal programs		\$ 19.95	\$ 19.95
127-Small C&I programs		\$ 257.07	\$ 257.07
140-EnergyStar Appliances		\$ 423.05	\$ 423.05
141-Energy Star Homes		\$ 1,113.31	\$ 1,113.31
143-Home Energy Solutions		\$ 1,318.22	\$ 1,318.22
164-Allocate to Business Programs		\$ 1,445.04	\$ 1,445.04
200-Transportation		\$ 582.63	\$ 582.63
	<u>\$ 2,471.35</u>	<u>\$ 9,874.53</u>	<u>\$ 12,345.88</u>

Company car usage includes an aggregated monthly cost for the vehicle (maintenance, registration, gas, depreciation, overhead for garage, etc.) which is then allocated based on miles driven. Personal vehicle use includes only mileage reimbursed at the IRS rate and tolls incurred.

Expense Summary

NHEC tracks all SBC NHSaves related expenses in the 24.416.xx general ledger account numbers and by Activity Codes. Audit verified that the codes agreed with the expense type identified in the fourth quarterly report.

Residential Home Energy Assistance Program activity code 117 \$348,489

Income qualified customers are eligible to receive up to \$8,000 for insulation, weatherization, cost effective appliance and lighting upgrades, and appropriate health and safety measures. Approved by Secretarial Letter on July 26, 2013, HEA funds in excess of \$8,000 may be used to replace hot water/space heating systems.

Internal Administration	\$ 24,285
External Administration	\$ 7,668
Rebates/Services	\$248,970
Internal Implementation	\$ 49,424
Marketing	\$ 7,079
Evaluation	<u>\$ 11,063</u>
Total	\$348,489

The Low Income Weatherization program uses the OTTER system to track the measures installed and generate invoices if the vendor chooses to utilize that system.

One invoice reviewed indicated projects were completed for two customers, at a total cost of \$12,216.09. The invoice from thermostats, low-flow devices, lighting retrofits, insulation, and

heater area infiltration reduction. The invoice was verified to general ledger account 416.19 activity code 117, dated 11/2/2018 without exception.

Residential Energy Star Homes Program activity code 141 \$147,740

As noted in the filing, The Energy Star Homes Program is designed to be a market driven program, encouraging both builders and homebuyers to build new homes with energy efficiency in mind. It is aligned with a national effort developed by the U.S. Environmental Protection Agency (EPA). Incentives are provided in the form of rebates and services to partially offset the increased cost of building a home to higher energy efficiency standards using the Home Energy Rating System (HERS) and the energy efficient lighting, appliances and HVAC equipment installed.

Internal Administration	\$ 9,498
External Administration	\$ 10,918
Rebates/Services	\$ 70,429
Internal Implementation	\$ 51,469
Marketing	\$ 2089
Evaluation	<u>\$ 3,337</u>
Total	\$147,740

Residential Home Performance with Energy Star (HPwES) activity code 143 \$383,197

The Home Performance with Energy Star Program is designed to encourage customers to improve the efficiency of their homes. Customers who qualify can receive an incentive of approximately 50% of the cost of weatherization services up to a \$4,000 cap. Natural gas customers who qualify can receive an incentive from both the electric company and the gas company, provided the customer first reaches the \$4,000 cap from the gas company. This provides natural gas customers with an opportunity to achieve deeper energy savings. It also recognizes that natural gas customers contribute to both the System Benefits Charge on their electric bill and the Local Distribution Adjustment Charge on their natural gas bill, providing access to both the electric and gas programs.

Internal Administration	\$ 26,750
External Administration	\$ 11,605
Rebates/Services	\$272,410
Internal Implementation	\$ 54,135
Marketing	\$ 6,368
Evaluation	<u>\$ 11,929</u>
Total	\$383,197

Audit reviewed one invoice, submitted through Otter for the installation of thermostats, low-flow devices, LED bulbs, air sealing, attic insulation, and basement insulation. The invoice from J Myers Builders amounted to \$8,000, net of the customer co-pay.

Third Party Financing

The third party financing option, which was approved for loans up to \$15,000 with the institution's interest rate to be bought down to 2%, allows for external lending institutions to fund energy efficiency projects. The fourth quarterly report indicates six projects' interest rate buy-downs totaled \$5,400 for the year.

Residential Energy Star Products Program activity codes 116 and 140 \$425,258

This program is the combination of the Energy Star Lighting program activity code 116 and the Energy Star Appliances program activity code 140 as described in the 2017 Plan. NHEC tracks the programs separately due to the set-up of their financial tracking and accounting systems. For Lighting, the program design is centered on offering in-store and mail-in rebate incentives aimed to encourage consumers to make purchases of qualifying, Energy Star rated products. For Appliances, the program is designed to offer mail-in rebate incentives on certain Energy Star rated appliances. The program also includes second refrigerator and freezer pickup and recycling.

The rounded expenses associated with these programs were verified to the company's general ledger without exception, and were traced to the presentation breakdown by expense category:

Category	Total
Internal Admin.	\$ 28,708
External Admin.	\$ 7,476
Rebates/Services	\$262,655
Int. Implementation	\$ 93,428
Marketing	\$ 9,294
Evaluation	\$ 23,697
Total	\$425,258

Large Business Energy Solutions Program activity codes 128 Retrofit and 149 New Construction \$304,686

Noted in the filing, this program is designed for electric customers having an average monthly maximum kilowatt (kW) demand of 200 kW or more over a twelve-month period. Program customers will receive rebates for new construction, major renovations, failed equipment replacement, replacement of inefficient equipment. Rebate amounts for new construction are the lesser of 75% of incremental costs or a one-year payback, and for retrofit projects, the lesser of 35% or a one-year payback.

Internal Administration	\$ 20,993
External Administration	\$ 5,467
Rebates/Services	\$224,665
Internal Implementation	\$ 41,004
Marketing	\$ 5,181
Evaluation	\$ 7,376
Total	\$304,686

Audit reviewed three journal entries. The first, in the amount of \$5,760 was for a commercial lighting project. The overall cost was \$17,160. The invoice, dated 12/3/2018 supported the total. The rebate application and post installation inspection signatures were noted.

The second entry, in the amount of \$30,000 was the rebated portion of a total \$85,857 bottling plant lighting retrofit project. NHEC acted as the lead and reviewed invoices from Revolution Lighting Technologies and TNT Electrical received in September, October, November, and December. Total estimated kWh annual savings were 133,318.

The third entry of \$30,000 represents the rebated portion of the replacement of 400 snow-guns at a ski resort in NHEC’s service territory. The estimated annual kWh savings with the installation of the replacement snow-guns was 604,875. The budget/cost ratio was 2.68. Overall, the cost to purchase the guns was \$1,089,644, but the \$30,000 represented the cap over which any additional rebate could not be offered.

Small Business Energy Solutions Program activity codes 127 Retrofit and 148 New Construction \$241,562

Noted within the filing, this program is designed for electric customers having an average monthly maximum kilowatt (kW) demand less than 200 kW over a twelve-month period. This program is intended for new or retrofit projects, with the activity code identifying the internal NHEC category. The rebate amount for new projects is the lesser of 75% of incremental costs or a one-year payback and for retrofit projects is the lesser of 35% for electric customers or a one-year payback. The program also has a “Turnkey Solution” as described in the Settlement Agreement that also reflects the percentage caps.

Internal Administration	\$ 16,151
External Administration	\$ 4,206
Rebates/Services	\$160,393
Internal Implementation	\$ 49,684
Marketing	\$ 3,986
Evaluation	<u>\$ 7,142</u>
Total	\$241,562

Municipal and Local Government Energy Program activity code 120 \$135,171

According to the updated Filing, this program is available to all municipal and local government customers of the NH Electric Utilities. The program targets municipal customers with new construction projects, major renovation projects, failed equipment that needs replacement and those operating aging, inefficient equipment and systems with varying levels of rebates available depending on different factors.

Internal Administration	\$ 9,144
External Administration	\$ 2,381
Rebates/Services	\$ 93,772
Internal Implementation	\$ 24,022
Marketing	\$ 2,380
Evaluation	<u>\$ 3,472</u>
Total	\$135,171

Audit reviewed a lighting incentive application along with a rebate proposal for interior lighting retrofit and lighting controls, which was booked to account 416.19 Rebates and Services on 9/7/2018. An invoice from the contractor shows lighting fixtures were installed at a school building totaling \$85,714.29. The rebate amount was \$30,000. The lighting incentive application contained signatures from a NHEC representative noting a post-installation inspection was performed. The invoice was verified to general ledger account 416.19 activity code 120 without exception.

RGGI Revolving Loan Fund

The RGGI Revolving Loan Fund (RLF) was established on August 19, 2009, by the Governor and Council. Known as the Re-CORE, \$1,728,000 was dedicated to establish the RLF. NHEC initially received \$200,000 and added \$100,000 for the 2013 program year, bringing the total funding of the RLF to \$300,000. The RLF is available only to NHEC Residential members. C&I and Municipal members may use funds from the Smart Start program, rather than the RLF. During 2015 NHEC made the decision to write off one loan, and in 2016, payments to a collection agency were deducted from the available loan balance. In 2017, collection fees amounted to \$329, and in 2018 collection fees were \$167. The reconciliation of the RLF demonstrated:

(2013) RLF Fund	\$(300,000)
2015 Loan Write-Off	\$ 3,003
2016 Collection Fees	<u>\$ 382</u>
Adjusted Loan Fund	\$(296,615)
2017 Collection Fees	<u>\$ 329</u>
2017 RLF Fund	\$(296,286)
2018 Collection Fees	<u>\$ 167</u>
2018 Adjusted Loan Fund	\$(296,119)
Principal Outstanding 12/18	\$ 69,261
Loans in Process	\$ 6,328
Potential Loans	<u>\$ 7,381</u>
Available to Lend 12/31/2018	\$(213,149) rounded

Audit reviewed the NHEC activity within general ledger account #242.86 for both expenses and revenues.

GL Balance 12/31/2018	\$(226,739)
2018 Adjusted loan fund	<u>\$(296,119)</u>
Balance per loan system open balance report	\$ (69,380)

The balance per the open balance report, \$(69,380) is \$119 higher than the fourth quarter report. An adjusting entry on 12/31/2019 debited account 254.40. The \$10 difference is immaterial. The loans in process and the potential loans are not in the loan system until the loans are issued.

An audit was conducted, with a final report issued on February 11, 2020, regarding the 2018 RGGI auction process, calculation and distribution from the PUC Business office, and subsequent accounting at the utility level.

NHEC Specific Program

Smart Start Program Activity Code 185 \$571

According to the Joint Settlement Agreement, this program provides C&I and municipal members with an opportunity to install energy efficient measures with no up-front costs, and pay for them over time with the savings obtained from the lower energy costs. NHEC has indicated the source of the funds is NHEC company funds and SBC funds are only used to pay for the implementation and administration of the program. For the 2018 program year, NHEC spent \$571 for payroll, booked to account 416.19. It is unclear where the remaining \$529 was booked. Audit verified that the Smart Start related costs, while properly included in department 24, are not included as expenses for Member Incentive calculation purposes.

NHEC did not finance any new loans during 2018. Because NHEC uses their own funds to finance the Smart Start loans, the NH PUC does not review the specific loan files. There was a total of \$90,085 of loan repayments which were verified to credit postings to general ledger account 143.18, Miscellaneous Accounts Receivables-PAYS. Further testing was not performed.

Conclusion

Based on a review of the information and documentation provided to Audit, the revenue, expenses, and rolling over-collection associated with the 2018 NHEC NHSaves Energy Efficiency Program appear to be in compliance with Commission Orders.